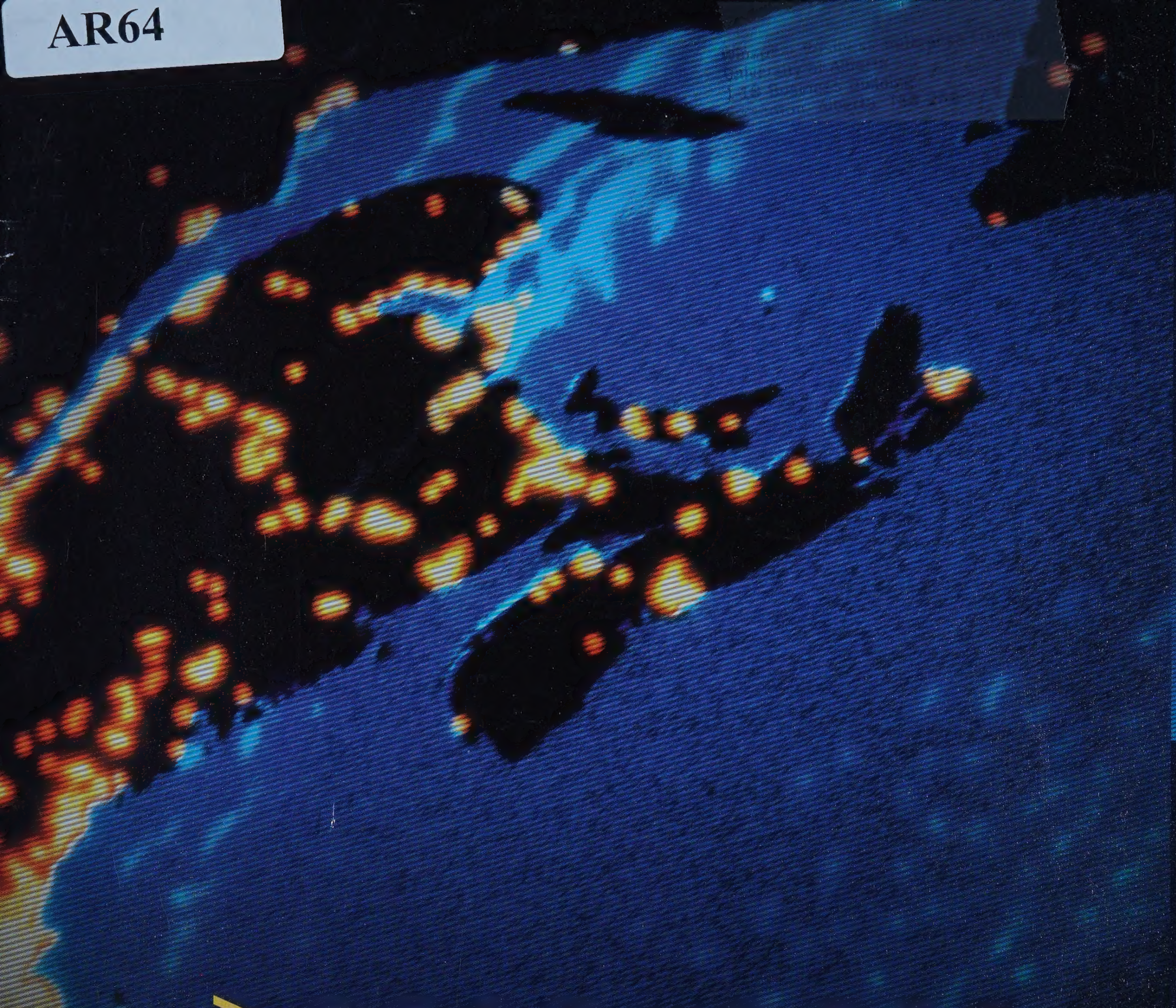


EMERA 2000 ANNUAL REPORT 2000

> RESOURCEFUL

Emera

Corporate Highlights

ACQUISITION OF BANGOR HYDRO-ELECTRIC EXPANDS OPERATIONS INTO NORTHEASTERN U.S. MARKET

Regulatory approvals are in process for this $305 million deal that will increase Emera's customer base by 25%, and establish a foothold in the expanding northeast energy market.

STABLE ELECTRICITY PRICES FOR THE FOURTH CONSECUTIVE YEAR

Nova Scotia Power's ongoing focus on operational excellence and cost management meant 2000 was the fourth consecutive year without an electricity price increase in Nova Scotia.

TUFTS COVE FIRST IN ATLANTIC CANADA TO USE SABLE NATURAL GAS

The Tufts Cove Generating Station now fires on natural gas as well as oil, enhancing fuel flexibility and environmental management options.

EMERA NAME LAUNCHED

The Emera brand was launched on July 17, 2000, to link the company's diverse energy activities in the minds of customers, investors and other stakeholders.

MARITIMES & NORTHEAST PIPELINE'S HALIFAX AND SAINT JOHN NATURAL GAS LATERALS COMPLETED

The M&NP Halifax and Saint John laterals will enable further energy infrastructure growth.

EMERA FUELS SUPPORTS THE COMPANY'S ENERGY BUSINESS DIVERSIFICATION

Completing its first full year of operation in 2000, Emera Fuels leverages Emera's core abilities in energy distribution and customer service.

STRONG SAFETY PERFORMANCE CONTINUES

Nova Scotia Power's safety record was the best in the company's history.

AWARD WINNING ENVIRONMENTAL REPORTING

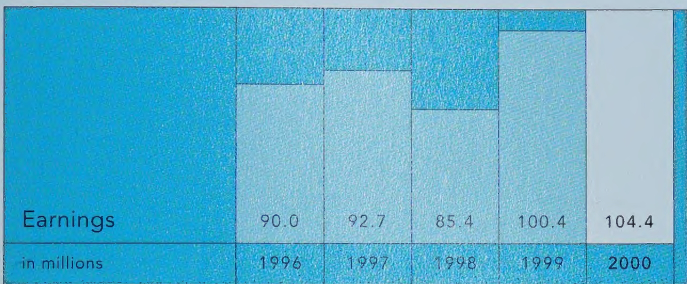
Implementation of an ISO-based environmental management system, and an award winning employee environmental report continue to support environmental awareness in operational planning, production and processes.

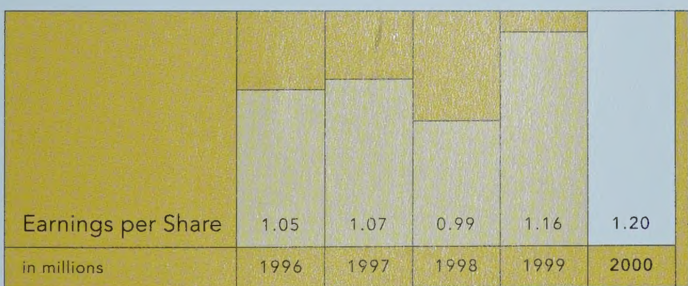
NEW PRODUCTS AND PRICING OPTIONS INTRODUCED

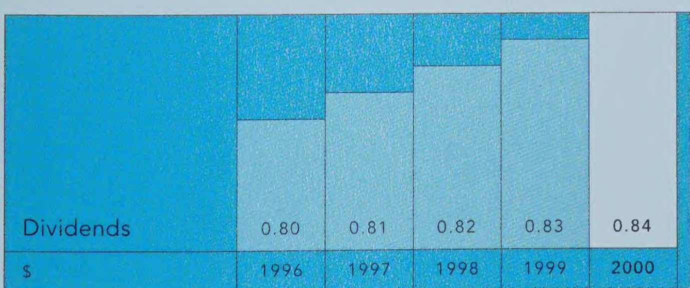
Nova Scotia Power customers were offered pricing choice this year, with the introduction of Real Time pricing and Load Retention rate options.

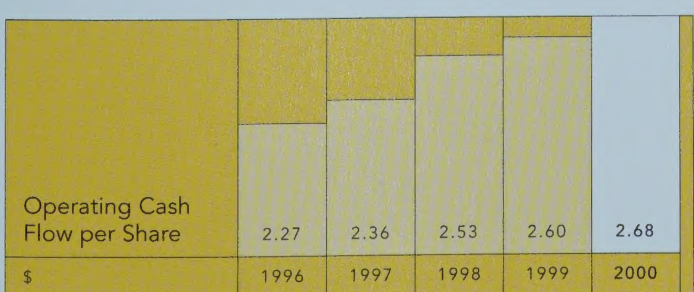
RECORD COMMUNITY DONATIONS AND EMPLOYEE INVOLVEMENT

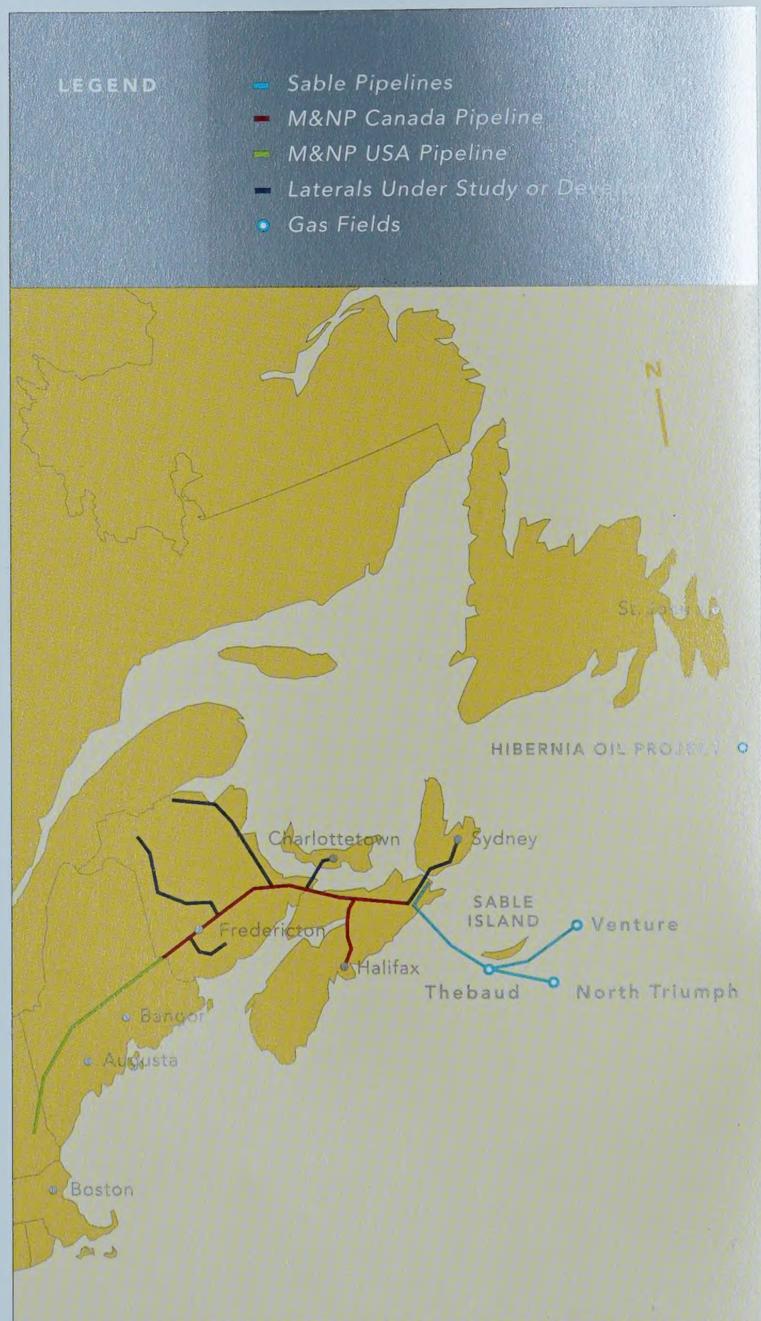
Employees raised a record $144,000 for charities and organizations in Nova Scotia. Gift-matching by Emera brings the total to $288,000.


Earnings
90.0
92.7
85.4
100.4
104.4
in millions
1996
1997
1998
1999
2000


Earnings per Share
1.05
1.07
0.99
1.16
1.20
in millions
1996
1997
1998
1999
2000


Dividends
0.80
0.81
0.82
0.83
0.84
$
1996
1997
1998
1999
2000


Operating Cash
Flow per Share
2.27
2.36
2.53
2.60
2.68
$
1996
1997
1998
1999
2000


LEGEND
Sable Pipelines
M&NP Canada Pipeline
M&NP USA Pipeline
Laterals Under Study or
Gas Fields
N
Charlottetown
Sydney
SABLE
ISLAND
Venture
Fredericton
Halifax
Thebaud
North Triumph
Bangor
Augusta
Boston

CONTENTS

02 Letter to Shareholders
05 Management Team
06 Feature Stories
06 Location, Location, Location
08 Forward March
12 Customery Practices
14 Taking Responsibility
16 Management's Discussion and Analysis
31 Management Report
32 Auditors' Report
33 Financial Statements
49 Corporate Governance
52 Executives and Directors, and Shareholder Information

FROM A POSITION OF STRENGTH

The development of the energy sector in northeastern North America is the foundation of Emera's strategy for growth and diversification. From Emera's "power base" in Nova Scotia, and in production and distribution of electricity, we have expanded both beyond our borders and into new energy businesses. This year, Emera focused on operational excellence, customer service and growth. We'll continue to use our resources to bring geography, opportunity and ability together.

ON THE COVER > *A market of 18 million energy users can be seen in the night-time satellite image of Nova Scotia, New Brunswick and the northeastern U.S.*

FEATURES

LOCATION, LOCATION, LOCATION >

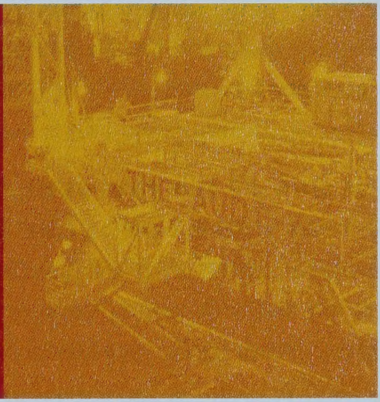
Emera is in the right place at the right time, positioned between a vast new energy supply and 18 million customers in northeast North America

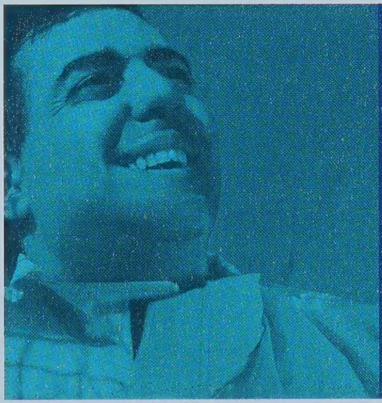
P. 6

FORWARD MARCH >

Natural gas investments, a growing fuel business and expansion into the U.S. electricity market are moving Emera forward

P. 8





CUSTOMERY PRACTICES >

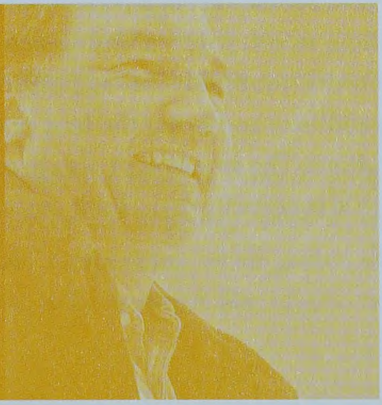
With a proud history of operational excellence, Emera is expanding the definition of what an energy company can be

P. 12

TAKING RESPONSIBILITY >

A thriving employee-giving program and forward-thinking environmental practices support Emera's community commitment

P. 14



FELLOW SHAREHOLDERS,

"EMERGING GIANT GAS PLAY OF THE NORTH." That is how Goldman Sachs, the New York based international investment firm, described Nova Scotia's offshore natural gas potential in a report issued this year. Having witnessed first-hand the activity in the province's newest industry, we believe the development of these natural gas reserves will bring an era of economic prosperity to this region not seen since the age of sail. We believe it will strengthen the historical business ties between Atlantic Canada and the northeast United States. We believe our company is well positioned to take advantage of this opportunity. We are building the skills and the partnerships necessary to participate, and we have the strategic vision, and the discipline to turn opportunity into success for our employees, our customers, and our shareholders. Let us tell you how Emera is bringing geography, opportunity and ability together...

"OFFSHORE NOVA SCOTIA...IS ONE OF THE FEW REMAINING AREAS IN NORTH AMERICA WITH HUGE NATURAL GAS RESERVE POTENTIAL THAT CAN BE BROUGHT ON STREAM OVER THE NEXT SEVERAL YEARS..." We are quoting Goldman Sachs again. There is little doubt the resource base is significant. Conservative estimates place it at 18 trillion cubic feet, which is five times the size of the current development. As important as the size of the gas reserve, is its relative accessibility. Offshore Nova Scotia represents one of the few supply basins that can be developed within the next several years. That is important because, as current gas prices indicate, North America is already experiencing a gas supply shortage, and demand continues to grow rapidly.

Emera is the only Atlantic Canadian private-sector company with a significant ownership interest in the infrastructure in place supporting the development of Nova Scotia's offshore gas reserves. In 2000, our investment in the Maritimes & Northeast Pipeline (M&NP), contributed $6 million of equity earnings. Going forward, we expect M&NP to contribute in excess of $8 million annually. In addition to the financial returns, our investment positions us on the ground floor of continuing offshore development in our region. We want to build on that stake, leveraging the knowledge and contacts we are developing to partner with industry leaders on new gas infrastructure projects. Our challenge will not be to find opportunities, but rather to be selective in pursuing them, so that our resources are applied in the most profitable manner, consistent with our risk profile and our shareholders' expectations.

In addition to enhancing our earnings and our energy service line, M&NP has expanded our geographic scope, moving Emera's operations beyond Nova Scotia, through New Brunswick, and into Maine and Massachusetts. Our pending acquisition of Bangor Hydro-Electric, an electricity transmission and distribution business with 110,000 customers in southeast Maine, begins to build on that foothold. This acquisition provides substantial opportunity for Emera and Bangor Hydro to share skills and capabilities, and bring the best practices of both organizations together to build more efficient, effective and profitable operations. The investment also provides us an opportunity to experience, and profit from, performance-based regulatory structures, where both customers and shareholders benefit when operating efficiencies are achieved.

L>R
DEREK OLAND *Chairman of the Board*
DAVID McD. MANN *President and CEO*

The Bangor Hydro acquisition will allow us to leverage the strong operational expertise and customer service focus in electricity transmission and distribution built in Emera's primary operating subsidiary, Nova Scotia Power. Nova Scotia Power set new revenue records in 2000, reaching $819 million; earnings remained solid at just under $104 million, providing a regulated return on common equity at the upper end of our allowed range. These results contributed substantially to the 4% increase in Emera's consolidated earnings.

Nova Scotia Power's continued focus on fuel cost control resulted in savings of $19 million from using higher quantities of lower priced import coal, enabling the company to absorb the impact of significantly higher oil prices, rather than pass it on to our customers. Toward the end of 2000, we converted the Tufts Cove generating station to dual fire on natural gas as well as oil, adding further flexibility to our fuel mix, and enhancing our emissions management options. Our contract for 62 million cubic feet of gas per day also provides significant opportunities for fuel arbitrage in these times of high gas prices, an integral component of our overall fuel cost management strategy.

As a result of Nova Scotia Power's ongoing focus on operational excellence and cost management, 2000 marked the fourth consecutive year without an electricity price increase in Nova Scotia. Beginning in 2001, favourable Load Retention rates are available for certain industrial customers that might otherwise choose to generate their own electricity. We are also implementing Real Time pricing mechanisms that will ultimately allow customers to take advantage of lower off-peak pricing to control their energy costs. Price stability, and in some cases, price reductions, are critically important to our competitive positioning today, and in the future. Coupled with new customer service initiatives focusing on responsiveness, flexibility and reliability, these changes help keep our franchise strong. Our employees continue to rise to the challenges of increased competitiveness and to embrace our customer focused strategy.

Everything that we do is directed toward one objective – to maximize the value of Emera's business, and to have that value reflected in our share price. In the early part of the year, the utility sector in general suffered from the compounding effects of higher interest rates, and investors' desire to seize the "dot com" momentum, which pulled money from non-technology sectors. The market has adopted a more defensive posture of late, and companies like Emera, with strong earnings and cash

flow, and reliable dividends, are once again fundamentally appealing to investors. Emera has a quality earnings stream, and we fully expect that earnings growth will foster our continuing policy of modest dividend growth. We demonstrated our commitment in this regard in 2000, increasing our dividend to $0.84 per share.

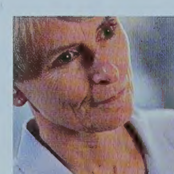
In closing, we would like to acknowledge the expert guidance provided by the Board of Directors of the company, and offer our thanks to them. To our shareholders, and to the partners, customers and employees of all Emera companies, we offer our sincere thanks for your ongoing support.

Emera is transforming itself from a Nova Scotia electricity company into a northeastern energy company. We are in the right place, at the right time. We believe we have the right stuff to take advantage of the significant opportunities available to us.

Derek Oland *Chairman of the Board*
David McD. Mann *President and Chief Executive Officer*

RONALD E. SMITH >
Senior Vice President and Chief Financial Officer

CHRIS HUSKILSON >
Chief Operating Officer



LIZ MACDONALD >
Vice President, Human Resources

WAYNE CRAWLEY >
Vice President, Corporate Development

PHIL SIDEBOTTOM >
Vice President, Power Development

WAYNE ROUSCH >
Senior Vice President, Business Development

RICK SMITH >
Corporate Secretary and General Counsel

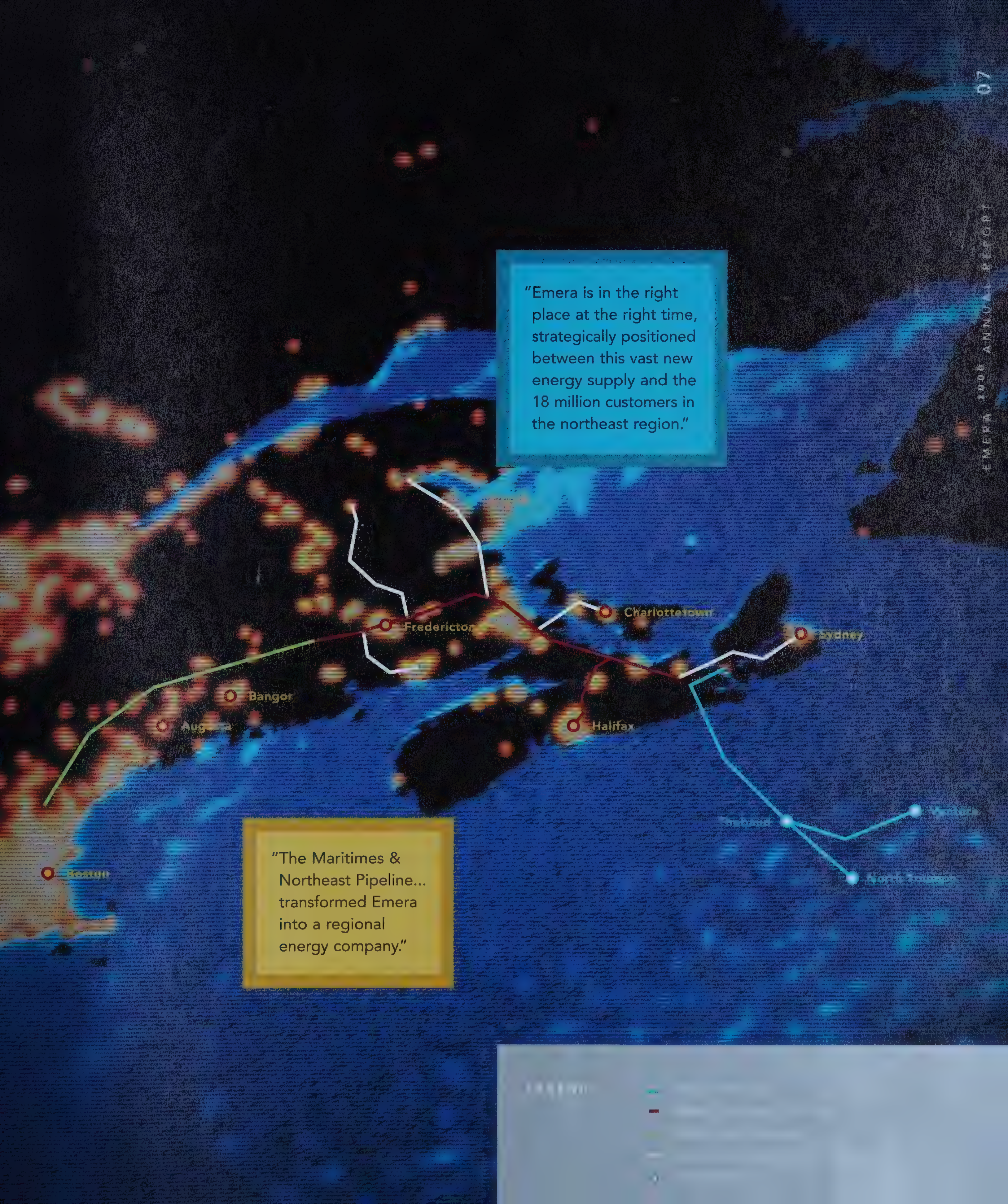
LOCATION LOCATION LOCATION

HOW GEOGRAPHY, OPPORTUNITY AND ABILITY COME TOGETHER.

It has been some time since Nova Scotia's geographic location constituted an advantage – not since the Age of Sail to be exact! Once again, the sea brings opportunity as Nova Scotia begins to harvest the potential of offshore natural gas. The gas reserves are immense. Conservative published estimates set the resource base at 18 trillion cubic feet, and some industry players believe it could be larger still.

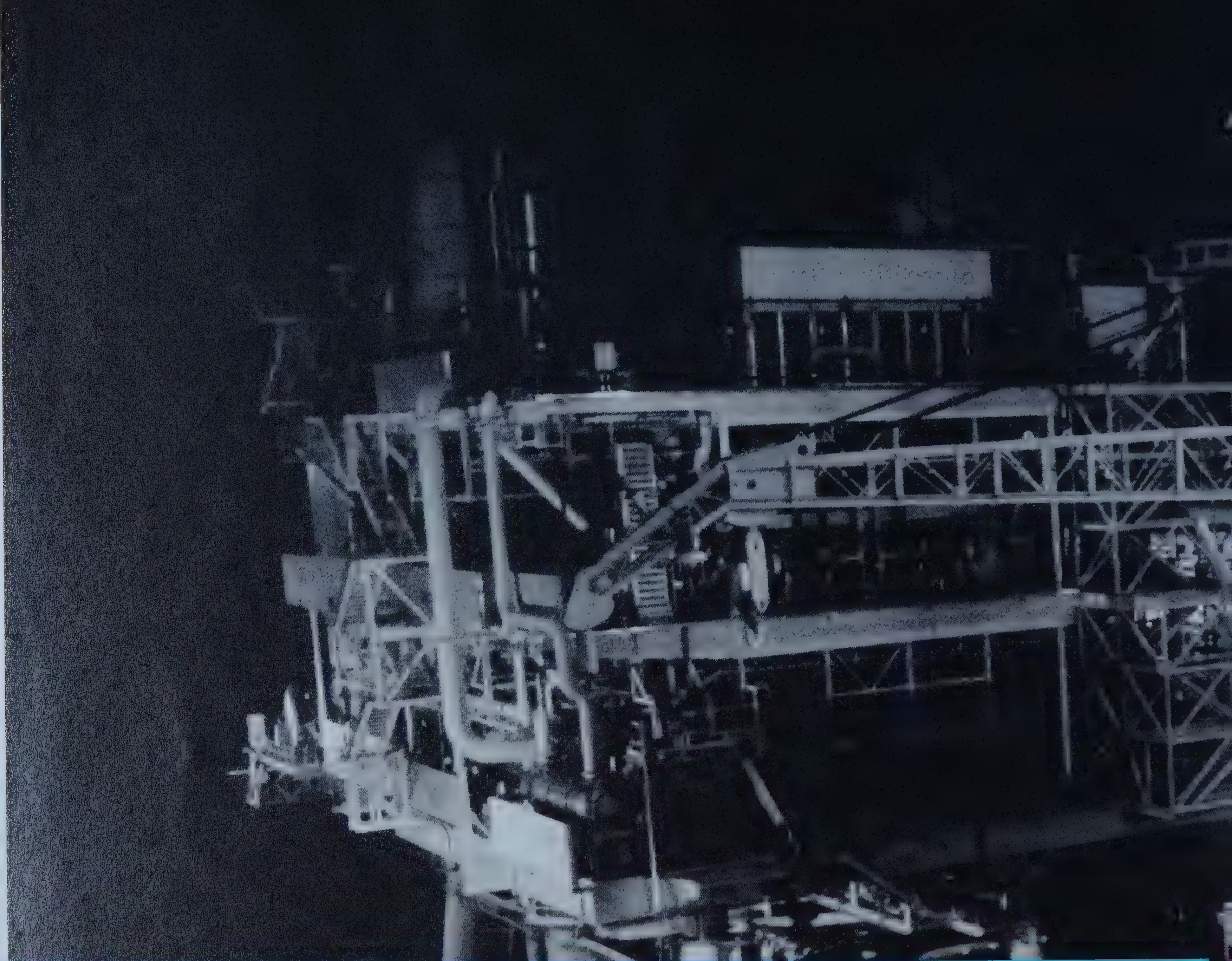
The size and relative accessibility of this resource virtually guarantees that it will be developed to feed the insatiable demand for natural gas in northeast North America. Emera is in the right place at the right time, strategically positioned between this vast new energy supply and the 18 million customers in the northeast region. We are determined to play a part in developing the infrastructure to support a world-class gas industry in eastern Canada.

The Maritimes & Northeast Pipeline, which transports Nova Scotia natural gas as far as Boston, was our first foray into the natural gas infrastructure business. It transformed Emera into a regional energy company, and has already provided opportunities to build the partnerships and the skills that will enable the company to undertake additional gas infrastructure investment going forward. We have extended the geographic reach of the Emera brand in the regional energy market with the acquisition of Bangor Hydro, adding 110,000 customers in Maine to the half million already served in Nova Scotia. We will continue to seek opportunities to grow our portfolio of assets throughout the northeast energy market.



"Emera is in the right place at the right time, strategically positioned between this vast new energy supply and the 18 million customers in the northeast region."

"The Maritimes & Northeast Pipeline... transformed Emera into a regional energy company."



FORWARD MARCH

THE EXPANSION OF THE ENERGY SECTOR IN THE NORTHEAST IS THE FOUNDATION OF EMERA'S STRATEGY FOR GROWTH AND DIVERSIFICATION, AND IN 2000, PLANNING BECAME REALITY. NATURAL GAS INVESTMENTS, A GROWING FUEL BUSINESS, AND EXPANSION INTO THE UNITED STATES ELECTRICITY MARKET ARE MOVING THE COMPANY FORWARD. TRUE TO THE PROMISE OF THE EMERA BRAND, OUR TIME IS NOW!

ENERGY FROM THE SEA * *The Sable Offshore Energy Project's Thebaud platform processes 500 million cubic feet of natural gas each day from the Sable fields before sending it ashore via a 200 kilometre sub-sea pipeline.*

FULL STEAM AHEAD – FIRST USE OF SABLE NATURAL GAS AT TUFTS COVE

Following a three-year, $24 million refit, the Tufts Cove generating station became the first industrial operation in Atlantic Canada to use natural gas from the Sable reserves. The 350 megawatt plant's ability to burn either oil or natural gas offers significant financial and environmental benefits. In addition, by anchoring the Halifax lateral, the Tufts Cove development has set the foundation for further natural gas driven development, which will foster continued economic growth in the region.

The ability to switch fuels at Tufts Cove increases the company's capacity to make cost-effective generation decisions, and thus manage for improved fuel costs overall. Containing the cost of fuel is critical to keeping electricity prices stable for our customers, since fuel represents over one-third of power generation costs.

Because natural gas is a clean burning fuel, having it at Tufts Cove provides environmental benefits as well. Adding natural gas to our fuel portfolio helps Nova Scotia Power meet its targets for reducing emissions of carbon dioxide and sulphur dioxide. Reduced emissions, regardless of fuel choice, are now possible following the recent installation of high tech, low nitrogen oxide burners. Sophisticated monitors installed on the stacks precisely measure the content of emissions on a continuous basis.

LIFT OFF FOR EMERA

In July 2000, we introduced our new Emera name to better reflect the diversity of our company's energy business. From our Nova Scotian "power base" in the production and distribution of electricity, our company has expanded its geographic borders and its energy lines of business. With the creation of Emera Fuels, our partnership in the Maritimes & Northeast Pipeline, and the purchase of Bangor Hydro, we are truly a growing energy company. Emera is an umbrella under which these various energy activities reside. We believe there is real benefit to having a brand that links all of our activities in the minds of customers, investors and other stakeholders.

Our new name captures the essence of our business, and holds special meaning for residents of northeastern North America. Emera is a combination of *E*, for energy; *mer*, French for the sea; and *era*, since the exciting present, and promising future of our company indicates our time is now!

BELOW LEFT > [illegible] the summer or 35,000 homes in the winter.
BELOW RIGHT > [illegible] customer base by 25%. **OPPOSITE LEFT >** *Emera has* [illegible]
OPPOSITE RIGHT > *Emera* [illegible] *over 200 million litres of fuel oil per* [illegible]

THE CANADIANS ARE COMING! – THE BANGOR HYDRO ACQUISITION

In a year of firsts for Emera, our pending acquisition of Bangor Hydro-Electric added yet another to the list – the first time a Canadian electric utility will own and operate a subsidiary transmission and distribution service in the American marketplace.

Bangor Hydro's electrical transmission and distribution (T&D) business serves 110,000 customers in southeast Maine. The acquisition brings a 25% increase in Emera's customer base, and establishes a foothold in the expanding northeastern energy market. Emera's subsidiary Nova Scotia Power is a leader in T&D operations. Nova Scotia and Maine have similar weather as well as geography; both encompass urban and rural territories. As a result, operational synergies are evident and best practices are readily shared to the benefit of all.

The Maine electricity market was restructured in the late 1990s, and electricity generation is now a competitive marketplace. Bangor Hydro became a pure transmission and distribution business by divesting its generating capacity in the course of the restructuring. Since T&D continues to be regulated in Maine, this acquisition maintains a consistent low risk profile for Emera, while providing valuable operating experience in a more widely deregulated electricity marketplace. Bangor Hydro is expected to bring upside earnings potential through performance-based rate structures. Understanding the impacts and opportunities presented by deregulation and performance-based regulation will help Emera develop its business in the U.S., and strengthen our position in Canada's evolving regulatory environment as well.

EMERA FUELS IS GOING PLACES

Emera Fuels is a building block in Emera's evolution into a diversified energy and services company, leveraging core abilities in energy distribution and customer service in a competitive marketplace. Emera Fuels completed its first full year of operation in 2000. With 22,000 customers and annual sales volumes over 200 million litres, the company is positioned for success.

Emera Fuels serves all of Nova Scotia and parts of southern New Brunswick. The customer base has grown significantly over the last year, primarily a result of acquisitions, but also reflecting sales growth, as new customers are attracted to the Emera brand.

Emera Fuels provides a complete product offering, including furnace oil, lubricants, heavy fuel oil, diesel and gasoline. Its approach to customer service is where Emera Fuels gains competitive advantage. Sales representatives and customer service offices are located in all sales regions. And if staff can't be there, the products and services are, with the introduction of the 24-hour access Card Lock Network that allows truck drivers to refuel at company depots with the swipe of a card. These efforts are paying off. In a recent customer satisfaction survey, over 95% of respondents said they would recommend the company to others.

CUSTOMERY PRACTICES

… HISTORY OF OPERATIONAL EXCELLENCE, PROVIDING CUSTOMERS … OVER 75 YEARS. NOW THE COMPANY IS PROVING IT IS MUCH … RESPONSIVE, INNOVATIVE, AND PROACTIVE, AND THROUGH … THE DEFINITION OF WHAT AN ENERGY COMPANY CAN BE.

"24/7" describes around-the-clock operations these days. We add **"365/75"** to that phrase to more fully describe the scope of our responsibility. All day, all night, every day of the year, for over 75 years, we have worked to provide Nova Scotians with one of the necessities of modern life – electricity.

Energy markets are changing and supply options abound. In order to be the customer's choice in energy and services we must evolve beyond providing a service to *partnering* with our customers to create energy solutions that make sense for each and every one of them.

A testament to our long-standing success in providing the reliable energy supply so essential to Nova Scotia homes, businesses and industries is that our customers "take us for granted." We are happy for that quiet recognition. And we continue to invest in new technologies to further enhance that reliability and to increase our efficiency. For instance, the Central Dispatch System coordinates service crews province-wide, so they are deployed for optimum efficiency and effectiveness. Work is being completed for a global satellite positioning system that pinpoints the exact location of outages, so that wherever a disruption might occur, service can be restored as quickly as possible. And, the Smart Energy Information System tracks daily power use across the grid to support load planning and price forecasting with large industrial customers.

BELOW LEFT > *… System, housed at Nova Scotia Power's Ragged Lake Control Centre, coordinates service crews province-*

BELOW RIGHT > *Lynn Murphy, a residential customer in Fall River, uses electric ther-*

These are important developments – technical achievements have long been our strong suit. What's different for us today is the progress we are making in understanding and meeting our customers' changing needs. With change so widely felt, our customers can be pleased that 2000 marked the fourth consecutive year without any electricity price increase from Nova Scotia Power, and we have committed to maintain that price stability for 2001 as well. And we are now offering customers added efficiency options like Real Time pricing and Load Retention rates that actually reduce their overall energy costs. We're helping customers to realize the benefit of these pricing options through solutions that combine the technology and the appliances to accumulate energy during non-peak hours for release and use during peak hours. And we're building e-business tools to serve customers when and how they want.

Our company has built its reputation on the word reliable. We are building our future on the words responsive, innovative, proactive – words directing action toward meeting the needs of our customers. At Emera we are keeping up with change, without changing the things that really matter.

ABOVE > [illegible] *with N*[illegible] *to servic*[illegible]

ABOVE • Jerome Power, Regional Planner with Nova Scotia Power, is just one of the hundreds of employees who donated their time and money to causes across the province in 2000. Together, employees raised a record $144,000.

THE POWER OF PEOPLE

Together with its employees throughout the province, Emera plays a significant role in strengthening the communities in which we live and operate. This year the dedication and generosity of our employees reached new heights, and spurred Emera to make its largest financial contribution ever toward community building.

Through the Good Neighbour Employee Charitable Fund, Emera employees raised a record $144,000 for charities and organizations across the province during 2000. With the company matching the contributions dollar for dollar, that total becomes $288,000 – a 53% increase over 1999 levels.

A grass roots focus is what makes the Good Neighbour program such a success. Employees are encouraged to give to the groups and charities that mean the most to them. That puts Emera in touch with what the needs are, and helps ensure our contributions are directed to provide real benefit. Causes

ranged from health charities and youth organizations to community-based initiatives and programs.

This enthusiasm and generosity has spread to other projects, as employees volunteer their time to offer hands-on assistance whenever needed. One program, *IT is for Kids*, partnered employees and local business to provide computers and training to a school in need. Elsewhere, employees played a leadership role in the planning and programming for *Envirothon*, a week-long camp held at Acadia University which brought together high school students from across North America to learn about environmental issues.

It is clear that through the power of people, real change can be made – one person and one gift at a time.

TAKING RESPONSIBILITY

FOR OUR COMMUNITIES AND OUR ENVIRONMENT

THE ESSENTIAL NATURE OF OUR BUSINESS MEANS THAT [illegible] EVERY PERSON AND COMMUNITY IN NOVA SCOTIA. [illegible] GIVING PROGRAM AND FORWARD THINKING ENVIRONMENTAL [illegible] ILLUSTRATE EMERA'S COMMITMENT TO FOSTERING [illegible] THROUGH THE POWER OF ITS PEOPLE.

THE RIGHT TREE IN THE RIGHT PLACE PROGRAM FLOURISHES

Trees touching power lines are a significant safety hazard and the main cause of service disruptions. Traditionally, utilities cleared all vegetation from power line right-of-ways. In an industry-leading initiative, Nova Scotia Power is working with the Department of Natural Resources to reforest the areas under transmission lines with smaller growing trees. This will help create habitat for wildlife and provide a cost-effective alternative to cutting and herbicide use, and avoid interference with the lines. In addition, a tagging program at retail garden centres encourages residential customers to consider power lines when making landscaping decisions around their properties.

AWARD WINNING REPORTING SUPPORTS ENVIRONMENTAL MANAGEMENT

An ISO-based environmental management system is being implemented throughout Nova Scotia Power, and its success relies on the awareness and understanding of all employees. Nova Scotia Power's *Environmental Report to Employees* is a valuable tool for developing that awareness and has established the company as a leader in environmental reporting. For the second year in a row, the report took a silver prize at the prestigious National Post Annual Report Awards. Judges complimented the company on "an innovative approach that suggests a genuine internal interest in environmental initiatives." Quality reporting helps to ensure that environmental considerations continue to infuse operational planning, processes and production. These award winning reports are available on line at www.nspower.ca.

Management's Discussion & Analysis

ALYSIS (MD&A) PROVIDES A REVIEW OF THE RESULTS OF OPERA-
MARY SUBSIDIARIES AND INVESTMENTS DURING 2000 RELATIVE
AT DECEMBER 31, 2000. CERTAIN FACTORS THAT MAY IMPACT
ED. SUCH COMMENTS WILL BE AFFECTED BY, AND MAY INVOLVE,
AINTIES THAT MAY CAUSE THE ACTUAL RESULTS OF
IT FROM THOSE EXPRESSED OR IMPLIED. TO ENHANCE
MULTI-YEAR HISTORICAL FINANCIAL AND STATISTICAL
ISSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION
FINANCIAL STATEMENTS AND SUPPORTING NOTES.
AND "EMERA" REFER TO EMERA INC. AND ALL OF

FINANCIAL HIGHLIGHTS

ELECTRIC REVENUE – Colder temperatures year-over-year, and growth in the provincial economy contributed to a 3% increase in electric revenues, from $790.2 million in 1999 to $813.3 million in 2000.

FUEL OIL REVENUE – Fuel oil revenue has quadrupled, increasing from $17.8 million in 1999 to $73.8 million in 2000. This reflects the full year impact of Emera Fuels' growth through acquisition of independent fuel oil distributors in the second half of 1999 and into 2000.

EARNINGS – Net earnings applicable to common shares increased to $104.4 million or $1.20 per share in 2000 from $100.4 million or $1.16 per share in 1999.

DIVIDENDS – Emera maintained its commitment to dividend growth, increasing the common share dividend by $0.01, to $0.84 in 2000. Higher earnings in 2000 resulted in a decline in the dividend payout ratio, from 72% to 70%.

OPERATING CASH FLOW PER COMMON SHARE – Emera generated strong operating cash flow per common share of $2.68 in 2000, compared to $2.60 in 1999.

INTRODUCTION

Emera Inc. is a diversified energy and services company, which incorporates three primary operating units:

- Emera's principal subsidiary is **Nova Scotia Power Inc. (NSPI)**, a wholly-owned, fully-integrated electric utility, with $2.8 billion of assets, that serves more than 440,000 customers. NSPI is the primary electricity supplier in Nova Scotia, providing the vast majority of the generation, transmission and distribution of electricity in the province.

[1] Prior to a name change that came into effect July 17, 2000, Emera Inc. was known as NS Power Holdings Inc.

- **Emera Fuels Inc.**, an unregulated subsidiary, expands Emera's energy product line, distributing home heating oil, heavy fuel oil, diesel, lubricants and related products and services throughout Nova Scotia and into New Brunswick.
- Emera has a 12.5% equity investment in the **Maritimes & Northeast Pipeline (M&NP)**, which transports Sable natural gas to markets in Maritime Canada and the northeastern United States.

Other subsidiaries and investments are included with **Emera Corporate**. Emera Corporate also includes the company's strategic planning and business development activities in support of growth and diversification.

On June 30, 2000, Emera announced its intention to purchase **Bangor Hydro-Electric Company**, a regulated electricity transmission and distribution business with 110,000 customers operating in southeast Maine. The transaction has been approved by the shareholders of Bangor Hydro, as well as the Maine Public Utilities Commission and the United States Federal Energy Regulatory Commission. Regulatory approvals still outstanding include the U.S. Securities and Exchange Commission. All approvals are expected to be received, and the acquisition completed by mid-2001. Until such time as the transaction closes, the results of operations of Bangor Hydro are not included in the consolidated operations of Emera Inc.

On February 6, 2001, Emera offered to purchase 8.4% of the **Sable Offshore Energy Project (SOEP)** infrastructure assets for $90.0 million. The offer is subject to certain rights of first refusal, and other approvals. The SOEP infrastructure assets comprise a gas processing plant at Goldboro, Nova Scotia; a natural gas liquids fractionation plant at Point Tupper, Nova Scotia; a natural gas liquids line connecting the Goldboro and Point Tupper operations; and offshore production platforms and sub-sea gathering pipelines.

This Management's Discussion and Analysis presents information by operating unit, beginning with an overview of each business; followed by discussion of its 2000 operating results, liquidity and capital resources; then the outlook for 2001. A discussion of business risks and enterprise risk management is presented on a consolidated basis, and the MD&A concludes with an overview of the pending acquisition of Bangor Hydro.

Earnings before interest, taxes and preferred dividends:	**2000**	1999
NSPI	**$ 259.3**	$ 259.2
Emera Fuels	**1.4**	0.4
M&NP	**5.1**	4.8
Emera Corporate	**(3.6)**	(9.9)
	262.2	254.5
Interest	**135.4**	136.5
Taxes	**12.5**	6.3
Preferred dividends	**9.9**	11.3
Consolidated net earnings	**$ 104.4**	$ 100.4

	2000	1999	1998
Earnings per common share	**$ 1.20**	$ 1.16	$ 0.99
Operating Cash Flow (millions of $)	**233.4**	226.5	219.2
Operating Cash Flow per common share	**$ 2.68**	$ 2.60	$ 2.53
Dividends per common share	**$ 0.84**	$ 0.83	$ 0.82

NOVA SCOTIA POWER INC.

OVERVIEW

The core business of Emera is electricity. The success of its electric utility subsidiary, Nova Scotia Power Inc. (NSPI) provides a quality earnings stream and cash flow to support growth and diversification.

NSPI is the primary electricity supplier in Nova Scotia, providing 97% of the generation, 99% of the transmission and 95% of the distribution of electricity in the province. 58% of the company's generation capacity is coal-fired; oil and gas fired facilities together comprise another 25% of capacity; and hydro production provides the remainder. The inclusion of natural gas in the generating mix is a recent development, made possible by the conversion, late in 2000, of the Tufts Cove generating station to dual fire on natural gas as well as oil. In addition to enhanced fuel options, the conversion gives the company greater flexibility in managing environmental emissions performance.

NSPI's vision is to be "the customer's choice in energy and services." In order to realize that vision, NSPI must provide customers with the best service, at the best price. 2000 was the fourth consecutive year without an electricity price increase in Nova Scotia, and the company has committed to price stability for 2001 as well. Price is an important element of the customer's value perception, and operational excellence and efficiency are critical to maintaining price stability. Ongoing focus on controlling fuel costs, and efforts to increase utilization of generation facilities are two key elements of NSPI's operational strategy.

Pricing initiatives are important, but they must be combined with service enhancements if NSPI is to be the supplier of choice. The company is committed to understanding the needs of its 440,000 customers, and to developing energy solutions that meet those needs. Improving reliability, providing a variety of pricing options, partnering with customers to identify ways to reduce energy costs, and enhancing customer communication channels are examples of NSPI's continuous improvement efforts in the area of service quality.

NSPI is a public utility as defined in the Public Utilities Act (Nova Scotia) and is subject to regulation under the Act by the Utility and Review Board (UARB). The Act gives the UARB supervisory powers over NSPI's operations and expenditures. Electricity rates for NSPI's customers are also subject to UARB approval. The UARB also regulates NSPI's capital structure, limiting common equity (common share capital and retained earnings) to 35% of total capitalization. The company is not subjected to an annual rate review process, but rather participates in hearings from time to time at the company's or the regulator's request.

REVIEW OF 2000

In 2000, NSPI's contribution to consolidated net earnings increased to $103.7 million from $100.1 million in 1999. In both years, NSPI earned a return on common equity near the top of its allowed range of 10.5% – 11%.

REVENUE

Electric Sales Volume (GWh)	2000	Sales Mix %	% Change 99 – 00	1999	Sales Mix %	% Change 98 – 99	1998	Sales Mix %
Residential	**3,632.1**	34.1	3.9	3,494.6	33.7	3.5	3,377.9	34.6
Commercial	**2,661.9**	25.0	3.1	2,582.8	24.9	3.9	2,485.9	25.4
Industrial	**3,917.2**	36.8	2.1	3,834.8	37.0	12.0	3,423.7	35.0
Other	**445.0**	4.1	(1.8)	453.2	4.4	(6.4)	484.4	5.0
Total	**10,656.2**	100.0	2.8	10,365.4	100.0	6.1	9,771.9	100.0

Electric Sales Revenue (millions of $)	2000	Sales Mix %	% Change 99 – 00	1999	Sales Mix %	% Change 98 – 99	1998	Sales Mix %
Residential	**351.6**	43.2	3.2	340.6	43.1	2.7	331.5	44.2
Commercial	**227.4**	28.0	2.8	221.3	28.0	2.9	215.1	28.6
Industrial	**197.3**	24.3	1.9	193.7	24.5	11.7	173.4	23.1
Other	**37.0**	4.5	6.9	34.6	4.4	12.3	30.8	4.1
Total	**813.3**	100.0	2.9	790.2	100.0	5.2	750.8	100.0

Residential Revenue – Residential revenue increased 3% to $351.6 million in 2000 from $340.6 million in 1999. The increase reflects growth in the provincial economy, and temperatures that, while still warmer than normal, were colder than 1999. NSPI's residential load generally comprises appliance usage and lighting (60%); space heating (20%); and water heating (20%).

NSPI utilizes weather risk management contracts to mitigate the negative impact of warmer-than-normal temperatures on residential load. These simple option contracts protect a portion of the lost space heating margin from unanticipated variations caused by warmer-than-normal winter temperatures. During 2000, NSPI realized net proceeds from these contracts of $1.0 million (1999 – $2.7 million), which are included in Other Electric Revenue. Weather risk management contracts are more fully described in the Business Risk and Enterprise Risk Management section of the MD&A.

Commercial Revenue – Commercial revenue also increased 3%, from $221.3 million in 1999 to $227.4 million in 2000. NSPI's commercial customer base includes everything from small retail operations, to large office and commercial complexes, and the province's universities and hospitals. Growth in the Nova Scotian economy has a positive impact on the commercial sector. Weather risk management contracts also mitigate the negative impact of warmer-than-normal winter temperatures on commercial revenue.

Industrial Revenue – Industrial revenue increased 2%, from $193.7 million in 1999 to $197.3 million in 2000. In 1999, industrial revenue increased 12%, due to a major expansion by the company's largest industrial customer completed in 1998.

Revenue/MWh – Revenue/MWh remained stable at $76. As part of its long-term competitive strategy, NSPI is focused on price stability for customers, and 2000 marked the fourth consecutive year without an electricity price increase in the province. Stability in pricing, and little change in relative weighting of residential, commercial, and industrial sales kept total revenue/MWh consistent with last year.

Other Electric Revenue – Other electric revenue increased from $34.6 million in 1999 to $37.0 million in 2000, despite a marginal reduction in volume. Other electric revenue includes export sales, the pricing of which is increasingly market driven, and accordingly increased as oil and natural gas prices rose through the year.

FUEL FOR GENERATION AND POWER PURCHASED

Capacity – Management of capacity is a critical element of operating efficiency. The provision of sufficient generating capacity to meet peak demand inevitably results in excess capacity in non-peak periods. NSPI's daily load is highest in the early evening; its seasonal load is highest through the winter months. Summer cooling load is not a significant factor.

To ensure reliability of service, NSPI maintains a generating capacity greater than firm peak demand. Generating capacity is composed of 2,183 megawatts of thermal and hydroelectric plant and 25 megawatts contracted with independent power producers. This capacity maintains a planned generation reserve margin of at least 20%, which can be expanded further with an interruptible load of 16%.

NSPI's capacity management strategy is to encourage customers to consume electricity in non-peak periods, so as to enhance overall plant utilization and defer significant investment in additional generation capacity. During 2000, NSPI received regulatory approval to offer real time pricing options that support this strategy. Real time pricing should motivate larger customers who have the ability to shift electricity consumption to non-peak times when marginal costs of electricity production are lower. This pricing alternative supports NSPI's objective of increasing efficiency and capacity utilization by moving demand from peak to non-peak periods, and illustrates the company's commitment to its customers, by providing them with options for managing energy costs.

Production Volume (GWh)	2000	Fuel Mix %	% Change 99 – 00	1999	Fuel Mix %	% Change 98 – 99	1998	Fuel Mix %
Coal	**8,863.7**	77.5	13.4	7,816.0	70.5	11.4	7,015.0	66.8
Oil	**1,347.8**	11.8	(28.0)	1,870.9	16.9	(20.7)	2,358.3	22.4
Hydro	**881.2**	7.7	(10.1)	980.7	8.9	10.1	890.9	8.5
Purchased Power	**295.2**	2.6	(28.2)	411.3	3.7	70.0	242.0	2.3
Natural Gas	**43.8**	0.4	100.0	–	–	–	–	–
Total	**11,431.7**	100.0	3.2	11,078.9	100.0	5.5	10,506.2	100.0

Average Unit Fuel Costs ($ per MWh)	2000	% Change	1999	% Change	1998
	$ 23.96	(0.8)	$ 24.14	(1.4)	$ 24.49

Fuel Expense

Total cost of fuel for generation and power purchased increased 2.4% over 1999, from $267.5 million to $273.9 million. This reflects a 3% increase in production to meet higher sales volumes. The average fuel cost per MWh of power produced was reduced slightly in 2000, to $23.96, from $24.14 in 1999, as a result of a combination of fuel mix and pricing factors, discussed below.

Changes in fuel mix significantly impact the overall average fuel cost per MWh of power produced. Coal, the utility's dominant fuel source, has the lowest per unit fuel cost, after hydro production, which has no fuel cost component. Oil and natural gas are next, depending on the relative pricing. Purchased power is the most expensive, as much as two to three times more costly than coal. During 2000, NSPI realized substantial savings from increased consumption of lower-priced import coal and petroleum coke. In addition, fuel-switching strategies, and proceeds from related sales of natural gas in the fourth quarter, had a favourable impact on fuel costs. These positive pricing developments more than offset the combined impact of significantly higher oil costs; higher purchased power costs, which are increasingly market driven and accordingly rise as oil and natural gas prices increase; and lower hydro production, due to particularly dry conditions.

The company manages exposure to commodity price risk utilizing a combination of physical fixed-price fuel contracts and financial instruments providing fixed or maximum prices. Foreign exchange risk is managed through forward and option contracts. Further details on the company's fuel cost risk management strategies are included in the Business Risks and Enterprise Risk Management section.

OPERATING, MAINTENANCE AND GENERAL EXPENSES

Higher operating, maintenance and general expenditures (OM&G) in 2000 reflect the company's customer focused strategy, and its commitment to enhancing value and service. OM&G expenses rose from $144.0 million in 1999 to $157.0 million in 2000.

Price stability is an important element of the customer's value perception, and cost management is critical to achieving price stability. The company's best opportunity for cost management is increased utilization of its generation facilities. As plant utilization rises, reliability becomes increasingly vital, and additional investment in maintenance is necessary to enable and ensure that reliability. In addition, NSPI made significant maintenance expenditures at the Tufts Cove generating station, with the expectation that the plant will carry an increased share of production now that is has been converted to dual fire on oil and natural gas.

In addition, NSPI made substantial investment in building customer processes and capabilities, in order to better understand and respond to customer needs, and provide enhanced service. For example, NSPI is restructuring its marketing and sales function and implementing new customer quality initiatives and measurement systems. These efforts prepare the company for increased competition, and help it to develop and market new products and services to grow its business.

GRANTS IN LIEU OF PROPERTY TAXES

NSPI pays annual grants to municipalities in Nova Scotia, in lieu of all municipal taxation other than deed transfer tax. Since 1998, it has also been required to make a grant to the Province of Nova Scotia, commencing with $2.0 million in the first year, and increasing by $2.0 million each year, to an annual maximum of $10.0 million. In 2000 total grants to municipalities and the province were $11.0 million compared to $8.9 million in 1999.

DEPRECIATION

Depreciation expense increased slightly in 2000 to $97.1 million from $94.2 million in 1999 as a result of the higher cost of in-service assets throughout 2000.

INTEREST

Interest expense was virtually unchanged at $131.3 million in 2000 compared to $131.5 million in 1999. Interest savings on long-term debt refinanced at lower rates, and lower foreign exchange costs were offset by increases in the cost of short-term borrowing, and reduced defeasance gains.

The company manages exposure to interest rate risk through a combination of fixed and floating borrowing, and hedging. Interest rate swaps are the principal instrument used to hedge interest rate risk. Further details on the company's interest rate risk management strategies are included in the Business Risks and Enterprise Risk Management section.

AMORTIZATION

During 2000, NSPI completed a comprehensive review of the prospects for its Glace Bay generating station, which was taken out of service in 1995. NSPI determined that the estimated cost to re-commission the plant significantly exceeded the projected value of generation from the facility over the next decade. Management concluded that the plant should be permanently shut down and, accordingly, written off. The plant had an undepreciated capital cost of approximately $35 million at December 31, 1999.

In circumstances where the carrying value of an asset to be written off is significant, NSPI's regulated accounting policy provides for amortization of the undepreciated capital cost of the asset on a straight-line basis over five years. Instead of straight-line amortization, the UARB has allowed NSPI flexibility in determining the annual write-off in order to achieve rate stability. For 2000, $10.0 million has been written off, and is included in amortization expense.

As part of its comprehensive review of the Glace Bay plant, NSPI reconsidered its estimate of site restoration costs for the facility. NSPI increased the estimate from $2.8 million to $11.8 million and, accordingly, accrued an additional expense of $9.0 million in 2000. This amount is also included in amortization expense.

The regulator-approved plan for deferral and amortization of Point Aconi expenses was completed in 1999. The final year's amortization expense was $23.1 million.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

NSPI provides for the financing costs associated with construction work-in-progress by capitalizing an allowance for funds used during construction (AFUDC) as an addition to the cost of property constructed. This amount is charged to operations through depreciation over the service life of the related assets, and recovered through future revenues. The capitalization rate for 2000 was 9.06% (1999 – 8.71%), resulting in $4.8 million in AFUDC (1999 – $4.8 million).

TAXES

NSPI is subject to provincial capital tax (0.25%), large corporations tax (0.225%), corporate income tax (45.12%) and Part VI.I tax relating to preferred dividends (40%).

NSPI used sufficient capital cost allowance, cumulative eligible capital deductions and loss carry-forwards to eliminate corporate income tax in the years 1999 to 2000, and expects to do the same in 2001.

Therefore, in 2000, income tax costs consisted only of Part VI.I tax on NSPI preferred dividends of $5.1 million (1999 – $5.3 million). For financial reporting purposes, the Part VI.I tax is allocated between income tax expense and preferred dividends.

The company has filed amended income tax returns for previous years that increased the tax depreciation (capital cost allowance) available to be deducted against the company's future taxable income. Those returns were reassessed by the Canadian Customs and Revenue Agency (CCRA; formerly Revenue Canada, Taxation), which disallowed the deductions claimed. A Notice of Objection has been filed with respect to the reassessments and the company expects the issue to be litigated. Without the benefit of this additional deduction, it is estimated that the company's tax liability at December 31, 2000 would have been approximately $79 million (1999 – $39 million). If the company is unsuccessful in this matter, it will apply to the UARB to recover these costs through the regulatory process.

PREFERRED DIVIDENDS

As explained above, preferred dividends include an allocated portion of Part VI.I tax. The decrease in preferred dividends is a result of an increase in the Part VI.I tax deduction.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW HIGHLIGHTS

Operating cash flow consists of cash generated from operations before considering the effect of changes in working capital. During 2000, NSPI generated operating cash flow of $246.1 million, compared to $236.3 million in 1999. Revenues increased by $20.3 million, partially offset by increased cash expenses, resulting in the increase in operating cash flow.

Free cash flow is defined as cash generated from operations net of amounts required for capital investment and dividends ultimately flowing through Emera to external shareholders. In 2000, NSPI generated free cash flow of $40.0 million, compared to $65.6 million in 1999. The decrease was principally a result of a $19.7 million increase in accounts receivable relating to natural gas sales in the fourth quarter, and a $7.3 million increase in capital expenditures.

Net capital expenditures were $121.4 million in 2000, as compared to $114.1 million in 1999. Included in the total is $11.3 million related to the completion of the gas conversion project at the Tufts Cove generating station; $18.7 million spent on hydro projects; $5.5 million for customer service delivery initiatives; and $32 million for routine capital replacement and enhancement of the distribution system.

PREFERRED SHARES

On October 1, 2000, the company redeemed $200 million 6% Series A First Preferred Shares, in accordance with the terms and conditions of the issue. $125 million of the redemption was effectively pre-financed at 4.9% in 1999, when NSPI issued 5,000,000 First Preferred Share Units at $6.25 each. The units comprised one Series B Preferred Share, and one Series C Preferred Share Purchase Warrant. Beginning October 1, 2000, unit holders could acquire one Series C Preferred Share in exchange for one Series B Preferred Share, one Series C Preferred Share Purchase Warrant, and $18.25. $31.3 million was raised on the unit issue in 1999, and an additional $82.8 million was raised on October 1, 2000, when substantially all of the Series B Preferred Shares and Purchase Warrants were exchanged for Series C Preferred Shares. The Series C Preferred Shares have a dividend of 4.9%, and mature in April 2009. NSPI expects the remaining purchase warrants for Series C Preferred Shares to be exercised in the first quarter of 2001, raising an additional $10.9 million.

In addition, in October 2000, NSPI issued 5,400,000 5.9% First Preferred Shares, Series D, for total cash proceeds of $135 million. These shares are redeemable in October 2015. The shares are exchangeable, after 15 years, at the option of NSPI into the common stock of NSPI's parent, Emera Inc. Thereafter, at the option of the holder, the Series D Preferred Shares will, subject to certain prior rights of NSPI, be exchangeable into Emera common stock. The net proceeds were used to repay short-term indebtedness arising from NSPI's redemption of the 6% Series A First Preferred Shares, and for general corporate purposes.

COMMON EQUITY

The Utility and Review Board regulates NSPI's capital structure, limiting common equity (common share capital and retained earnings) to 35% of total capitalization. NSPI is near that limit at the end of 2000. The company's strategy is to service additional demand primarily through enhanced capacity utilization. Therefore, the company is not anticipating significant growth in its net asset base. This means that common equity, which would otherwise grow every year with the addition of earnings less dividends, must be maintained at the allowable limit by paying out a significant portion of the earnings to the parent company, Emera Inc.

DEBT

Debt Management

Free cash flow in 2000 enabled NSPI to reduce its debt by 2%, to $1,477.6 million from $1,507.7 million in 1999.

The weighted-average coupon rate on NSPI's long-term debt outstanding at December 31, 2000, was 7.59% (1999 – 7.58%). 66% of the debt matures over the next ten years, with the balance maturing over the next 97 years. The quoted market-weighted-average interest rate for the same or similar issues of the same remaining maturities was 6.26% as of December 31, 2000 (1999 – 7.16%).

In 2000, NSPI issued $15.0 million of medium-term notes, with a 7.3% coupon, yielding 6.1%, maturing February 2004. These notes were issued to replace short-term debt.

NSPI has established the following short-term credit facilities:

- $350 million commercial paper program secured with a 100% backup line of credit;
- $150 million operating line of credit.

The company has a shelf prospectus for the issue of $500 million of debt securities to the public. The securities may be either long-term debt or medium-term notes, and are available as funds are required until the prospectus expires in August 2001. These funds will be used to refinance maturing debt and to provide financing for investment opportunities. At December 31, 2000, $435 million of the shelf prospectus remains available.

Based on our available credit and credit ratings, and past experience in public financing since privatization, NSPI expects to have access to capital when needed.

ACCOUNTS RECEIVABLE SECURITIZATION

NSPI signed an agreement with the Canadian Imperial Bank of Commerce in March 1997, whereby it can sell accounts receivable to the bank on a revolving basis. As of December 31, 2000, the company had sold $72.0 million of accounts receivable (1999 – $74.0 million). The net proceeds from the sale were used to repay a portion of the company's debt, thereby reducing net interest costs. The agreement is in place until 2002.

OUTLOOK

ELECTRIC SALES

Overall, electric sales volume in 2001 is expected to increase marginally. Weather risk management contracts have been purchased for the first and fourth quarters of 2001, which protect a portion of the profit margin at risk from unanticipated weather related variations in residential and commercial demand.

In accordance with NSPI's stated commitment to customers, there will be no general electricity rate increase in 2001. Rates that are based on marginal cost are expected to increase as a result of higher fuel prices.

In 2000, NSPI received regulatory approval from the Utility and Review Board to offer some new pricing arrangements to customers. "Load retention" rates are now available to qualifying industrial customers, who would otherwise have the option to self-generate using alternative fuel sources. This flexibility in rates assists the company in retaining market share with the arrival of natural gas in Nova Scotia. With "real-time pricing" customers can elect to have their energy price fluctuate on an hourly basis, in line with NSPI's actual cost of production. This option will appeal to customers who have the flexibility to move some of their consumption to off-peak hours in order to take advantage of lower prices at these times. This pricing supports NSPI's capacity utilization strategy.

It is expected that the combination of marginal volume increases, and select rate decreases arising from load retention rates and real-time pricing may result in 2001 electric revenues not exceeding 2000 levels.

FUEL

The arrival of natural gas in Tufts Cove, and the ability to switch fuels to capitalize on the relative pricing of oil and natural gas, is expected to mitigate a significant portion of the negative impact of higher prices for coal, oil and natural gas in 2001. As a result, total fuel and purchased power costs are expected to increase only marginally in 2001. NSPI expects to produce approximately 80% of its energy using coal, 10% using oil and natural gas, and the remainder from hydro.

The majority of NSPI's fuel supply is expected to come from international suppliers in 2001, and is subject to commodity price and foreign exchange risk. As part of its Enterprise Risk Management program, the company manages commodity-pricing risk utilizing a combination of physical fixed-priced fuel contracts and financial instruments providing fixed or maximum prices. Forward contracts are used to manage the exposure to fluctuating U.S. dollar exchange rates. Additional details on the company's Enterprise Risk Management activities are included in the Business Risks and Enterprise Risk Management section.

The Cape Breton Development Corporation's (CBDC) Prince Colliery is expected to supply approximately 30% of the company's coal requirements for 2001. The company's long-term contract with CBDC provides for renegotiation of both prices and minimum quantities at periodic intervals. NSPI is now negotiating price and quantity details to cover the time period until the Government of Canada completes the sale of CBDC.

OPERATING, MAINTENANCE AND GENERAL EXPENSES

Operating, maintenance and general expenses in 2001 are expected to remain consistent with 2000, reflecting the continuation of the company's ongoing capacity management and customer service initiatives.

GRANTS IN LIEU OF PROPERTY TAXES

In accordance with the annual escalation in provincial grants, grants in lieu of property taxes to municipalities and the Province of Nova Scotia are expected to increase by $2 million in 2001, to approximately $13 million.

INTEREST

Interest expense in 2001 is anticipated to increase slightly.

NET EARNINGS

2001 net earnings are expected to approximate 2000 levels, near the top of NSPI's allowed earnings range.

CAPITAL EXPENDITURES

NSPI's capital expenditure budget is approximately $125 million in 2001, which includes approximately $14 million for reliability and capacity improvements at the Point Aconi generating station. Other 2001 capital program spending will be directed at maintaining the electric generation infrastructure, supporting system reliability and enhancing customer service. These investments will help the company service growing customer demand, and will be financed by cash flow from the company's operations.

EMERA FUELS INC.

OVERVIEW

Emera Fuels Inc., an unregulated subsidiary of Emera Inc., is a full-service oil distribution company, annually providing over 200 million litres of furnace oil, heavy fuel oil, lubricants, gasoline, diesel and other related products and services to over 22,000 customers in Nova Scotia, and southern New Brunswick. Emera Fuels leverages Emera's existing expertise in energy distribution and customer service to broaden the company's energy product offering to customers.

REVIEW OF 2000

Revenues increased to $73.8 million in 2000, from $17.8 million in 1999. This increase reflects organic growth; a full winter heating season in 2000 compared to 1999, when most acquisitions were made in the spring; and a number of key independent acquisitions made in 2000 to increase our coverage throughout the province and to leverage existing infrastructure in key markets.

2000 was a challenging year in the fuel oil market. Rising world prices and a warmer-than-normal winter resulted in depressed industry margins and volume shortfalls. Despite these industry-wide issues, Emera Fuels generated $1.4 million in earnings before interest and taxes, a significant increase from the $0.4 million earned in 1999.

OUTLOOK

Emera Fuels expects to continue to grow its business, building sufficient scale to provide appropriate returns. The foundation is in place to achieve improved efficiencies from new acquisitions, as well as to increase the contribution to earnings by realizing synergies in areas like purchasing, vehicle fleets, scheduling systems, and customer services.

MARITIMES & NORTHEAST PIPELINE

OVERVIEW

Emera Inc. owns a 12.5% interest in the 1,000 kilometre Maritimes & Northeast Pipeline Project (M&NP), which transports natural gas from the Sable Offshore Energy Project, to markets in Nova Scotia, New Brunswick and the northeastern United States. The investment provides an excellent opportunity to pursue growth and diversification in the energy industry, while maintaining an appropriate risk profile. The other owners of M&NP are Duke Energy, Westcoast Energy and Exxon Mobil.

M&NP has an in-service cost of approximately $2.1 billion to date. This includes the costs for the Halifax, Point Tupper and Saint John laterals. Emera's total equity investment to date is $67.0 million (1999 – $54.7 million). The M&NP, which is regulated by the National Energy Board (NEB) in Canada and the Federal Energy Regulatory Commission (FERC) in the U.S., has an overall allowed rate of return of approximately 13.5%. The investment is accounted for on the equity basis.

REVIEW OF 2000

M&NP came into service at the end of 1999, with the successful completion of the mainline from Nova Scotia to Massachusetts. The laterals to Halifax and Saint John were completed late in 2000. The Point Tupper lateral was completed in 1999, but is undergoing modifications, and is expected to be in service by mid-2001.

In 2000, its first full year of operation, Emera's share of M&NP's after-tax equity earnings was $6.0 million, which is net of a one-time, $2.0 million write-off of Emera's portion of the small percentage of Maritimes & Northeast Pipeline construction costs that were disallowed by the NEB during the pipeline's toll hearings. Due to the regulated nature of the pipeline, M&NP was entitled to a return on its investment as funds were advanced during the construction period and, accordingly, in 1999 M&NP provided Emera with $5.3 million in after-tax equity earnings.

In 2000, Emera invested additional equity of $2.3 million in the project (1999 – $18.4 million). The investment in the pipeline is currently being financed through an Emera line of credit bearing interest at prime plus 0.5%.

OUTLOOK

M&NP equity earnings are expected to increase in 2001, toward the allowed earnings limit, because the $2.0 million write-off taken in 2000 is non-recurring.

EMERA CORPORATE

OVERVIEW AND REVIEW OF 2000

Certain corporate-wide functions are carried out within Emera Corporate, such as strategic planning, Emera branding, and business development in pursuit of growth and diversification. In addition, Emera Corporate serves as the financing vehicle for the corporation's business outside of the electric utility. Subsidiaries whose operations are immaterial to the consolidated entity, including the coal-bed methane project and the industrial cabling operation are also included in Emera Corporate.

During 2000, Emera Corporate realized a one-time after-tax gain of $1.1 million by recovering previously expensed business development costs on the sale of its fledgling telecom venture to Aliant Inc.

INCOME TAXES

Consolidated income taxes increased from $6.3 million to $12.5 million in 2000, due to a combination of factors, including decreases in tax losses recorded year over year; the revaluation of future income tax assets to reflect a decrease in tax rates; and an increase in the Part VI.I tax allocation.

DEBT MANAGEMENT

Emera Inc. has established a $150 million operating line of credit, which the company uses to finance its own activities, and those of its subsidiaries outside of the electric utility.

DIVIDEND POLICY AND PAYOUT RATIOS

For 2000, Emera Inc.'s common dividend rate increased to $0.84 per common share. Higher earnings resulted in a decline in the payout ratio to 70%, from 72% in 1999. In January 2001, the Board of Directors declared an increase in the 2001 first quarter common share dividend, to $0.2125 per share, from $0.21 per share in 2000.

BUSINESS RISKS AND ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT AT EMERA INC.

All significant risk management activities for Emera are monitored by the Executive Risk Management Committee to ensure the resulting exposure is within predefined tolerance levels. The Board of Directors approves the strategic direction and annual risk management program parameters prior to implementation.

The company's risk management activities are focused on those areas that most significantly impact profitability and quality of earnings. These risks include, but are not limited to, exposure to commodity prices, foreign exchange, interest rates and weather, and are discussed below.

COMMODITY PRICES

Approximately 70% of the company's annual fuel requirement for 2001 is subject to fluctuations in commodity market prices, prior to any commodity price risk management activities.

Coal/Petroleum Coke

In 2001, the majority of the company's coal supply will come from international suppliers at prevailing market prices. To ensure reliability of both fuel supply and price, the company has entered into fixed-price contractual arrangements with several coal suppliers. All anticipated import coal and petroleum coke requirements for 2001 have been fixed. Physical contracts are used to hedge coal price risk due to the lack of liquidity in the financial markets for coal.

Heavy Fuel Oil

Heavy fuel oil will meet approximately 10% of the company's anticipated 2001 fuel requirements. NSPI manages exposure to changes in the market price of heavy fuel oil through the use of swap and option contracts. As at December 31, 2000, the price for all of the anticipated heavy fuel oil purchases for 2001 has been fixed.

Natural Gas

Beginning in November 2000, NSPI began to consume natural gas at its Tufts Cove generating station. The company has entered into a multi-year contract to purchase 62 million cubic feet of natural gas per day. The contract fixes the price for a substantial portion of the gas volumes, with the balance exposed to market price fluctuations. The volumes exposed to market prices will be managed using either financial instruments or by selling natural gas at prices subject to market price fluctuations. NSPI's ability to sell natural gas is subject to the availability of pipeline transportation. The exposure to changes in gas prices for all anticipated gas purchases and sales has been substantially reduced by December 31, 2000.

Fuel Mix

The risk inherent in the Canadian dollar cost of fuel is measured and managed on a portfolio basis. The ability to switch fuel provides a dynamic, operational and very effective option in managing commodity price and supply risk.

FOREIGN EXCHANGE

In 2001, the company expects approximately 50% of its anticipated net fuel costs to be denominated in US dollars, as $U.S. income from sales of surplus natural gas will provide a natural hedge against a portion of $US denominated fuel costs. Forward and option contracts are used to manage the exposure to fluctuating $US exchange rates. Foreign exchange contracts are in place for a majority of 2001's anticipated $US net fuel costs.

$US payments received from the US portion of our investment in the Maritimes & Northeast Pipeline will be used to repay $US debt.

WEATHER

Warm winters can have a negative impact on revenue and earnings. Electricity sales to residential and commercial customers for space heating during the winter months contribute significantly to the company's annual earnings. The company uses financial instruments to protect earnings in the event of warmer-than-normal winter temperatures. As a result, the company realized net proceeds of $1.0 million in 2000. A similar instrument has been purchased for 2001.

INTEREST RATES

Emera manages interest rate risk through a combination of fixed and floating borrowing and a hedging program. Prior to hedging, floating rate debt is estimated to represent approximately 21% of total debt in 2001. Interest forward rate agreements and swaps are used to fix rates on part of the floating rate debt, while interest rate caps are used to insure against extreme movements of interest rates on floating debt. In 2001, interest on approximately 66% of the Company's anticipated floating debt is limited to an average rate of 6.39%.

Interest rate collars are used to partially hedge reinvestment risk on long-term fixed-rate debt. Fixed-rate debt maturities are limited in any one year and continually monitored to reduce rollover exposure.

INTRODUCTION OF NATURAL GAS

Natural gas is now available for the first time in Nova Scotia. With the completion of the Halifax lateral, late in 2000, customers in the most densely populated area of the province will soon have the option of using natural gas for heating and other uses.

In 1998, after much consideration, the company elected not to pursue natural gas distribution rights. A clear benefit gained from the research associated with the project was an enhanced understanding of the impact natural gas would have in the province.

The major residential use expected for natural gas is for space heating, which makes up approximately 20% of NSPI's residential load. The costs to convert from electric heat are significant. Accordingly, natural gas may have little appeal for existing homes, but may be more popular for new construction. NSPI's ongoing success in maintaining rate stability, and its efforts to provide customers with options for managing their energy needs, with such things as electric thermal storage units, which allow customers to store heat during non-peak hours, will assist the company in managing natural gas competition.

The relative price of natural gas versus furnace oil is a critical factor customers will consider when choosing between these two fuel sources. Current and forward prices for both commodities suggest the costs to convert from oil to natural gas may outweigh price savings for many years, reducing the likelihood that existing customers will make the switch. Emera Fuels' customer service staff is working with our fuel oil customers to help them understand their energy needs and how best to manage them, to ensure that furnace oil continues to be an attractive fuel source.

In 2001, NSPI will implement a favourable "load retention rate" aimed at those industrial customers who have the option to self generate using alternative fuel sources. NSPI is of the opinion that the load retention rate will make electrical pricing to industrial customers competitive with alternative fuel sources, and assist in maintaining a broad customer base for system cost recovery.

ELECTRICITY REGULATION IN NOVA SCOTIA

Deregulation of the electricity industry in Nova Scotia is not on the immediate horizon, although the Government of Nova Scotia has recently announced plans to update the province's overall energy strategy. Should deregulation eventually occur, the province's geographic location, the limits of intra-provincial transmission links, and the diversity of our customer base will help to reduce the impact on NSPI. In addition, the company is committed to enhancing its strong competitive and financial position by:

- maintaining rate stability to the greatest degree possible;
- working with customers to help them reduce energy costs, including providing them with greater access to time-of-use pricing;
- continuously improving customer service;
- managing costs through enhanced capacity management, reduced fuel and operating costs and efficient capital investment; and
- ensuring that employees are prepared and committed to carry out its strategy.

ENVIRONMENTAL CONSIDERATIONS

Emera is committed to conducting its business in a manner which is respectful and protective of the environment and which complies with environmental laws and regulations. Environmental management systems have been established to maintain and enhance environmental performance and verify compliance with all significant aspects of current environmental regulations.

Greenhouse Gas Emissions

In 1995, Canada established a National Action Program on Climate Change. In 1997, Canada signed the Kyoto Protocol, which commits to a reduction in greenhouse gas (GHG) emissions. The Protocol, which awaits ratification by most countries, including Canada, requires Canada to reduce its GHG emissions by 6% from 1990 levels during the period 2008-2012. The federal government released, in October 2000, the Climate Change Action Plan 2000. This report outlines activities, which will be developed over the next several years, to secure Canada's position. While the specific requirements and their potential impacts will not be known for some time, they will influence the company's choice of fuel and the technology that will replace or improve generating facilities as they age.

This is an important issue for Emera as 90% of NSPI's generation comes from CO_2-emitting fossil fuels. Throughout 2000, NSPI has been a full participant in both the federal and provincial processes aimed at developing Canada's and Nova Scotia's strategies for reducing emissions of greenhouse gases.

Sulphur Dioxide

The Air Quality Regulations under the Nova Scotia Environment Act currently limit NSPI's emission of sulphur dioxide to a maximum of 145,000 tonnes per year. Further reductions from this limit are expected as a result of two ongoing initiatives: The Canadian Post-2000 Acid Rain Strategy, and the Acid Rain Action Plan of the Conference of New England Governors and Eastern Canadian Premiers.

In the fall of 2000, the Tufts Cove generating station burned natural gas for the first time. The conversion of this generating station, allowing it to burn both oil and natural gas, is part of the company's long-term strategy to reduce sulphur dioxide emissions.

Canada Wide Standards

The Canadian Council of Ministers of the Environment continues to make progress on a number of Canada Wide Standards for environmental contaminants or issues. The outcome of applying standards for air quality will impact a number of emissions caused by the burning of fossil fuels (e.g. SO_2, NOx, Fine Particulate Matter, and Mercury). NSPI is engaged in the regulatory process and is taking steps to address the requirements of this process.

ACQUISITION OF BANGOR HYDRO-ELECTRIC COMPANY

On June 30, 2000, Emera announced its intention to acquire all of the common shares of Bangor Hydro-Electric Company, a regulated electricity transmission and distribution (T&D) business with 110,000 customers operating in Maine. This acquisition leverages our strong operational expertise and customer service focus in electricity transmission and distribution in a neighbouring marketplace. Emera's approach to growth is very disciplined. This acquisition of a low risk, regulated T&D business is consistent with that careful strategy.

The transaction is valued at approximately Cdn$305 million. Emera intends to finance the acquisition with debt. Emera's overall debt levels will continue to meet market requirements, and return to current levels in the third year of the project due to the strong cash flows generated by Bangor Hydro and NSPI.

Bangor Hydro is the second largest utility in Maine, and operates in the southeast portion of the state. It operated as an integrated electric utility until Maine began to restructure its electricity market in 1997. By the end of 1999, Bangor Hydro had divested its generation and transformed itself into a pure transmission and distribution business. As in most restructured markets, generation is now competitive in Maine, while T&D remains a regulated business.

Bangor Hydro shareholders, the Maine Public Utilities Commission, and the United States Federal Energy Regulatory Commission have approved the transaction. Regulatory approvals still outstanding include the Securities and Exchange Commission. All approvals are expected to be received by mid-2001. The acquisition is expected to be modestly accretive to earnings in the first full year after closing, increasing over time as cash flows are used to pay down debt. Eventually, it is expected Bangor Hydro will contribute approximately 10% of consolidated earnings.

Bangor Hydro currently has an allowed rate of return of 11%, but there are precedents in the state for performance based rate structures. Emera management anticipates there will be an opportunity to implement that type of structure at Bangor Hydro, and therefore an opportunity to increase earnings. Price stability has been an important goal for the Maine regulator. The fact that Emera's NSPI subsidiary has managed to keep prices stable in Nova Scotia since 1996 demonstrates the company's success in managing to meet that objective, and should be viewed positively.

Management Report

The accompanying consolidated financial statements of Emera Inc. and the information in this annual report are the responsibility of management and have been approved by the Board of Directors (Board).

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Nova Scotia Power Inc. (NSPI), Emera Inc.'s electric utility and principal subsidiary, is regulated by the Nova Scotia Utility and Review Board, which also examines and approves NSPI's accounting policies and practices. In preparation of these statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Management believes that such estimates, which have been properly reflected in the accompanying consolidated financial statements, are based on careful judgements and are within reasonable limits of materiality. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

Emera maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that Emera's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and its members are directors who are not officers or employees of Emera Inc. The Audit Committee meets periodically with management, as well as with the internal auditors and with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

February 1, 2001

David McD. Mann *President and Chief Executive Officer*
Ronald E. Smith, FCA *Senior Vice President and Chief Financial Officer*

We have audited the consolidated balance sheets of Emera Inc. as at December 31, 2000 and 1999, and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999 and the results of its operations and the changes in its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Halifax, Canada
February 1, 2001

Ernst & Young LLP, Chartered Accountants

CONSOLIDATED STATEMENTS OF EARNINGS

Year Ended December 31 millions of dollars (except earnings per common share)	2000	1999
Revenue		
Electric	$ 813.3	$ 790.2
Fuel Oil	73.8	17.8
Other	9.4	8.6
	896.5	816.6
Cost of operations		
Fuel for generation and power purchased	273.9	267.5
Cost of fuel oil sold	67.7	15.3
Operating, maintenance and general	168.0	155.5
Grants in lieu of property taxes	11.0	8.9
Provincial capital tax	7.2	7.1
Depreciation	98.3	94.8
	626.1	549.1
Earnings from operations	270.4	267.5
Equity earnings in Maritimes & Northeast Pipeline	6.0	5.3
Amortization	(19.0)	(23.1)
Allowance for funds used during construction	4.8	4.8
Earnings before interest and taxes	262.2	254.5
Interest (note 6)	135.4	136.5
Earnings before taxes	126.8	118.0
Income tax (note 7)	12.5	6.3
Net earnings before non-controlling interest	114.3	111.7
Non-controlling interest (notes 7 and 12)	9.9	11.3
Net earnings applicable to common shares	$ 104.4	$ 100.4
Earnings per common share	$ 1.20	$ 1.16

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year Ended December 31 millions of dollars	2000	1999
Retained earnings at beginning of year	$ 265.8	$ 238.7
Adjustments (note 3)	(0.2)	(1.1)
Net earnings applicable to common shares	104.4	100.4
	370.0	338.0
Dividends	73.2	72.2
Retained earnings at end of year	$ 296.8	$ 265.8

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 31 millions of dollars	2000	1999
Assets		
Current assets		
Cash	$ 5.7	$ 2.7
Accounts receivable (note 9)	100.5	63.9
Income tax recoverable	0.8	–
Inventory	85.8	78.9
Prepaid expenses	3.8	3.7
	196.6	149.2
Long-term receivable	3.5	2.2
Deferred charges (note 10)	295.5	319.5
Future income tax asset (note 7)	7.2	6.7
Goodwill	7.0	6.8
Investment in Maritimes & Northeast Pipeline	67.0	54.7
Property, plant and equipment (note 8)	2,319.7	2,315.5
Construction work in progress	54.5	47.3
	2,374.2	2,362.8
	$ 2,951.0	$ 2,901.9
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt (note 13)	$ 120.5	$ 8.1
Short-term debt (note 14)	281.7	320.4
Accounts payable and accrued charges	162.3	133.0
Income tax payable	–	0.2
Dividends payable	2.7	3.4
	567.2	465.1
Future income tax liability (note 7)	1.7	0.5
Deferred credits	0.4	2.2
Long-term debt (note 13)	1,155.0	1,260.5
Non-controlling interest (note 12)	249.1	231.3
Shareholders' equity		
Common shares (note 11)	680.8	676.5
Retained earnings	296.8	265.8
	977.6	942.3
	$ 2,951.0	$ 2,901.9

Commitments (note 16)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors

Derek Oland *Chairman*

David McD. Mann *President and Chief Executive Officer*

CONSOLIDATED STATEMENTS OF CASH FLOW

Year Ended December 31 millions of dollars (except operating cash flow per common share)	2000	1999
Operating activities		
Net earnings applicable to common shares	$ 104.4	$ 100.4
Non-cash items		
Depreciation	98.3	94.8
Amortization of deferred charges	43.7	30.7
Equity earnings in Maritimes & Northeast Pipeline	(6.0)	(5.3)
Amortization	19.0	23.1
Allowance for funds used during construction	(4.8)	(4.8)
Future income taxes	(2.2)	(7.2)
Additions to deferred charges and credits	(19.0)	(5.2)
Operating cash flow	233.4	226.5
Change in operating working capital	(13.7)	(20.3)
Net cash provided by operating activities	219.7	206.2
Financing activities		
Reduction of short-term debt	(39.8)	(33.3)
Proceeds from issue of common shares	4.3	4.0
Issue of preferred shares by NSPI	17.8	31.3
Issue of long-term debt	15.0	180.0
Retirements of long-term debt	(8.1)	(158.4)
Other financing activities	(6.2)	(11.0)
Net cash (used in) provided by financing activities	(17.0)	12.6
Investing activities		
Property, plant and equipment	(120.2)	(108.8)
Construction work in progress	(2.4)	(7.0)
Investment in Maritimes & Northeast Pipeline	(2.3)	(18.4)
Acquisitions	(1.6)	(9.8)
Net cash used in investing activities	(126.5)	(144.0)
Dividends on common shares	(73.2)	(72.2)
Increase in cash	3.0	2.6
Cash, beginning of year	$ 2.7	$ 0.1
Cash, end of year	$ 5.7	$ 2.7
Operating cash flow per common share	$ 2.68	$ 2.60
Cash paid		
Interest	$ 135.1	$ 137.6
Income taxes	11.7	11.5
Dividends on common shares	73.9	71.8

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2000

…MPANY), THROUGH ITS PRINCIPAL SUBSIDIARY, NOVA SCOTIA …D IN THE PRODUCTION AND SALE OF ELECTRIC ENERGY, WHICH … AND REVIEW BOARD ("UARB"). EMERA FOLLOWS …TING PRINCIPLES ("GAAP"). NSPI'S ACCOUNTING POLICIES … APPROVAL BY THE UARB AND ARE SIMILAR TO THOSE BEING … UTILITY INDUSTRY.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** The consolidated financial statements include the accounts of Emera Inc. and its wholly-owned subsidiaries.

b. **Allowance for Funds Used During Construction** For the regulated electric business carried on by NSPI, the company provides for the cost of financing construction work in progress by including an allowance for funds used during construction as an addition to the cost of property constructed, using a weighted average cost-of-capital. This allowance will be charged to operations through depreciation over the service life of the related assets and recovered through future revenues.

c. **Amortization** In accordance with regulatory authority, assets of NSPI which are not currently being used and are not expected to provide service to customers in the foreseeable future are amortized over five years.

2000

The UARB approved NSPI's request to amortize the cost of the Glace Bay generating station over five years and to recognize site restoration costs previously unaccrued in 2000.

1999

The Point Aconi generating station became operational in March 1994. In order to enhance rate stability, the UARB approved NSPI's request to defer and amortize a portion of the depreciation and interest expense pertaining to Point Aconi, together with an imputed cost-of-capital charge. Amortization was completed in 1999.

d. **Property, Plant and Equipment** Property, plant and equipment are recorded at original cost net of contributions in aid of construction. When property, plant and equipment are replaced or retired, the original cost plus any removal costs incurred (net of salvage) are charged to accumulated depreciation.

Depreciation is determined by the straight-line method, based on the estimated remaining service lives of the depreciable assets in each category. The estimated average service lives for the major categories of plant in service are summarized as follows:

Functions	Average Service Life in Years
Generation	
Thermal	43
Gas turbine	34
Hydroelectric	77
Transmission	45
Distribution	31
Other plant & equipment	15

In accordance with regulatory authority, assets of NSPI which are not currently being used, but will be useful in providing future service to customers, are not depreciated. Financing costs associated with assets not currently being used are deferred as incurred. Depreciation will occur when the asset goes into service. Significant costs in removing the asset from service may be deferred and amortized to earnings over a five-year period, subject to regulatory approval. Significant costs to return the asset to service are added to the capital cost of the asset.

e. Income Taxes Emera and its subsidiaries, except NSPI, follow the future income tax method of accounting for income taxes. NSPI uses the taxes-payable method.

f. Inventory Inventories of materials and supplies are valued at the lower of average cost and market. Coal and oil inventory is valued at the lower of cost, using the first-in, first-out method, and net realizable value.

g. Deferred Severance Costs In order to achieve rate stability, the UARB allows NSPI to defer the cost of large early retirement and severance programs, and amortize the resulting deferred charges on a straight-line basis over a three-year period, commencing in the period in which the program is initiated.

h. Employee Future Benefits Pension costs, and costs associated with non-pension post-retirement benefits such as health benefits to retirees and retirement awards, are actuarially determined using the projected unit credit method prorated on services and management's best estimate assumptions. Pension fund asset values are calculated using market values at year-end. The difference between pension expense and pension funding is recorded as a deferred asset or credit on the balance sheet. Adjustments arising from plan amendments are amortized on a straight-line basis over the expected average remaining service life of employees. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized on a straight-line basis over the expected average remaining service life of the active employees.

i. Foreign Currency Translation Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date are charged to operations as they arise.

Assets and liabilities of self-sustaining foreign operations are translated using the exchange rates in effect at the balance sheet date and the results of operations at the average rates for the period.

j. Debt Financing and Defeasance Costs Financing costs pertaining to debt issues are amortized over the life of the related debt. The excess of the cost of defeasance investments over the face value of the related debt is deferred and amortized over the life of the defeased debt.

k. Hedging Instruments The company is party to derivative financial instrument contracts, mainly interest rate contracts, forward foreign exchange contracts, oil swap and weather temperature agreements, all of which are used to hedge existing exposures. Premiums paid are deferred and recognized over the life of the agreements.

l. Investment in Maritimes & Northeast Pipeline The company's 12.5% equity investment in Maritimes & Northeast Pipeline is accounted for using the equity method whereby the amount of the investment is adjusted annually for the company's pro-rata share of the income or loss of Maritimes & Northeast Pipeline and reduced by the amount of any dividends received.

m. Goodwill Goodwill is stated at cost and is amortized using the straight-line method over 20 years. The company evaluates the carrying value of goodwill for potential impairment through on-going review and analysis of fair market value and expected earnings.

NOTE 2. CHANGE IN ACCOUNTING POLICIES

In 2000 the company has prospectively adopted new accounting requirements regarding employee future benefits. The main components of this change are as follows:

- The costs associated with non-pension future benefits were previously expensed as incurred. Now an annual accrual will be made to recognize the expense over the service life of the employees.
- The discount rate used to calculate the liability accrual has previously been based on a management estimate, but is now based on the current yield on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
- In order to account for the effect of applying this new standard prospectively, a transitional liability of $30 million, representing the effect of the changes on all prior years, will be amortized over the expected average remaining service life of the employee group.
- The impact on the current year's earnings of adopting this new requirement is approximately $5 million, including the effect of amortizing the transitional liability.

In 2000 the company adopted new accounting requirements regarding income taxes. These new requirements caused no impact on the current or prior periods.

NOTE 3. ADJUSTMENTS TO RETAINED EARNINGS

Effective January 1, 1999, the common shareholders of NSPI exchanged their common shares for common shares of NS Power Holdings Inc. (renamed to Emera Inc.) on a one-for-one basis. NSPI became a subsidiary of Emera. The Emera common shares have substantially the same rights, privileges, restrictions and conditions as the NSPI common shares. NSPI's existing preferred shares are recorded as non-controlling interest in Emera. Reorganization costs of $1.1 million were charged to retained earnings in 1999.

NOTE 4. SEGMENT INFORMATION

The company has three reportable segments: Nova Scotia Power Inc., Emera Fuels Inc. and Maritimes & Northeast Pipeline.

The company evaluates performance based on earnings before interest and taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Reportable segments are determined based on Emera's operating activities. NSPI is engaged in the production and sale of electric energy; the Maritimes & Northeast Pipeline companies own a 12.5% equity investment in Maritimes & Northeast Pipeline; and Emera Fuels Inc. is engaged in the distribution of a full range of fuel oil products.

	Nova Scotia Power Inc.		Emera Fuels Inc.		Maritimes & Northeast Pipeline		Other*		Total	
millions of dollars	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Revenues from external customers	$ 818.8	$ 798.9	$ 73.8	$ 17.7	–	–	$ 3.9	–	$ 896.5	$ 816.6
Depreciation	97.1	94.2	0.7	0.1	–	–	0.5	$ 0.5	98.3	94.8
Cost of operations	545.7	521.4	72.5	17.4	$ 0.9	$ 0.5	7.0	9.8	626.1	549.1
Net intersegment revenues/(expenses)	25.4	4.3	(25.1)	(4.3)	–	–	(0.3)	–	–	–
Equity earnings	–	–	–	–	6.0	5.3	–	–	6.0	5.3
Earnings before interest and taxes	259.3	259.2	1.4	0.4	5.1	4.8	(3.6)	(9.9)	262.2	254.5
Segment assets	2,838.7	2,811.8	29.3	19.1	69.5	57.0	13.5	14.0	2,951.0	2,901.9
Investing activities	121.4	114.1	2.8	9.0	2.3	18.4	–	2.5	126.5	144.0

* Other consists of items related to corporate activities and other subsidiaries.

NOTE 5. EMPLOYEE FUTURE BENEFITS

Emera maintains contributory defined-benefit pension plans which cover substantially all of its employees, and plans providing non-pension benefits for its retirees. The details of these plans are outlined below:

millions of dollars	Pension benefit plans	Non-pension benefits plans
Assumptions		
Discount rate	6.75%	6.75%
Long-term rate of return on plan assets	9.75%	–
Rate of compensation increase	4.25%	4.25%
Health care trend – current	12.00%	12.00%
– ultimate	4.00%	4.00%
Accrued benefit obligations		
Balance January 1, 2000	$ 424.1	$ 29.1
Current service cost for the year	5.7	1.0
Employee contributions	4.8	–
Interest cost during the year	27.1	1.9
Actuarial loss arising in the year	37.9	2.7
Benefits paid during the year	(24.0)	(1.6)
Balance December 31, 2000	$ 475.6	$ 33.1
Fair value of plan assets		
Balance January 1, 2000	$ 438.3	–
Employee contributions during the year	4.8	–
Contributions by NSPI during the year	8.2	$ 1.6
Actual return on plan assets during the year	39.1	–
Actuarial gain arising in the year	14.1	–
Benefits paid during the year	(24.0)	(1.6)
Administrative expenses	(2.3)	–
Balance December 31, 2000	$ 478.2	–
Plan surplus (deficit)	$ 2.6	($ 33.1)
Unamortized losses	27.1	29.5
Accrued valuation allowance	(8.1)	–
Accrued benefit asset (liability)	$ 21.6	($ 3.6)
Expense		
Current service costs	$ 5.7	$ 1.0
Interest on accrued benefits	27.1	1.9
Expected return on plan assets	(39.1)	–
Amortization of transitional liability	0.4	2.3
Amortization of past service costs	3.1	–
Change in valuation allowance	8.1	–
Expense for 2000	$ 5.3	$ 5.2

NOTE 6. INTEREST

millions of dollars	**2000**	1999
Interest on long-term debt	**$ 96.0**	$ 98.2
Amortization of debt financing and defeasance costs	**20.9**	20.8
Interest on short-term debt	**19.2**	18.6
Foreign exchange (gains) loss	**(0.3)**	0.7
	135.8	138.3
Less:		
Defeasance earnings and other interest income	**(0.4)**	(1.8)
	$ 135.4	$ 136.5

NOTE 7. INCOME TAXES

The income tax provision differs from that computed using the statutory rates for the following reasons:

millions of dollars	2000		1999	
Earnings before taxes	$ 126.8	–	$ 118.0	–
Income taxes, at statutory rates	$ 57.2	45.1%	$ 53.3	45.1%
Unrecorded future income taxes on regulated earnings	(49.2)	(38.8)	(50.3)	(42.6)
Equity earnings in Maritimes & Northeast Pipeline not subject to tax	(2.7)	(2.1)	(2.4)	(2.0)
Large Corporations Tax	6.1	4.8	6.0	5.1
Change in future income tax asset resulting from rate change	0.9	0.7	–	–
Other	0.2	0.2	(0.3)	(0.3)
	12.5	9.9%	6.3	5.3%
Income tax – current	14.7		13.5	
Income tax – future	$ (2.2)		$ (7.2)	

The future income tax asset and liability comprise the following:

millions of dollars	2000	1999
Future income tax asset:		
Tax loss carryforwards	$ 7.0	$ 6.3
Other	0.2	0.4
	$ 7.2	$ 6.7
Future income tax liability:		
Property, plant and equipment	$ 4.5	$ 1.8
Deferred charges	1.9	1.8
Tax loss carryforwards	(4.7)	(3.1)
	$ 1.7	$ 0.5

NSPI has filed amended income tax returns for previous years that increase the tax depreciation (capital cost allowance) available to be deducted against the company's future taxable income. Those returns were reassessed by the Canada Customs and Revenue Agency which disallowed the deductions claimed. A notice of objection has been filed with respect to the reassessments and the issue is expected to be litigated. Without the benefit of this additional deduction, it is estimated that the company's tax liability at December 31, 2000, would have been approximately $79 million (1999 – $39 million). If the company is unsuccessful in this matter, it will apply to the UARB to recover these costs through the regulatory process.

At December 31, 2000, providing for the effect of the amended returns, NSPI's unrecorded future income tax asset has decreased by approximately $120 million to $400 million. The asset consists of deductible temporary differences of $1.0 billion (1999 – $1.1 billion) and unused non-capital tax losses of approximately $99 million (1999 – $156 million) which are expected to expire as follows:

2002	$ 59.5 million
2003	$ 30.4 million
2004	$ 9.1 million

NON-CONTROLLING INTEREST

Non-controlling interest consists of NSPI preferred dividends less a net recovery of income tax expense of $3.0 million (1999 – $2.0 million). The income tax recovery of $8.1 million in 2000 (1999 – $7.3 million) is reflected as a reduction of preferred dividends with an offsetting increase in income tax expense.

millions of dollars	2000	1999
Preferred share dividend	**$ 12.9**	$ 13.3
Part VI.1 tax on preferred dividends	**5.1**	5.3
Part I tax recovery related to the Part VI.1 tax deduction – current year	**(5.1)**	(5.3)
Part I tax recovery related to the Part VI.1 tax deduction – prior years	**(3.0)**	(2.0)
	$ 9.9	$ 11.3

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	2000		
millions of dollars	Cost	Accumulated Depreciation	Net Book Value
Generation			
Thermal	**$ 1,519.8**	**$ 517.5**	**$ 1,002.3**
Gas Turbine	**27.5**	**20.4**	**7.1**
Hydroelectric	**346.0**	**107.2**	**238.8**
Transmission	**545.4**	**214.9**	**330.5**
Distribution	**883.8**	**347.7**	**536.1**
Other	**243.4**	**38.5**	**204.9**
	$ 3,565.9	**$ 1,246.2**	**$ 2,319.7**

	1999		
millions of dollars	Cost	Accumulated Depreciation	Net Book Value
Generation			
Thermal	$ 1,498.7	$ 475.6	$ 1,023.1
Gas Turbine	27.4	20.0	7.4
Hydroelectric	325.6	103.6	222.0
Transmission	543.9	204.2	339.7
Distribution	854.1	321.7	532.4
Other	232.7	41.8	190.9
	$ 3,482.4	$ 1,166.9	$ 2,315.5

At December 31, 2000, assets which have been removed from service and are not being depreciated or amortized had a net book value of $nil (1999 – $35.1 million).

NOTE 9. ACCOUNTS RECEIVABLE SECURITIZATION

On March 5, 1997, NSPI entered into an agreement with a financial institution to sell up to $88 million of trade receivables on a revolving basis. At December 31, 2000, trade receivables sold amounted to $72 million compared to $74 million in 1999. The agreement is scheduled to expire in 2002.

NOTE 10. DEFERRED CHARGES

millions of dollars	2000	1999
Unamortized debt financing and defeasance costs	**$ 254.3**	$ 272.4
Accrued pension and non-pension benefit asset (note 5)	**16.9**	14.8
Unamortized severance costs	**2.8**	9.4
Holdback on accounts receivable securitization	**7.2**	7.4
Deferred coal bed methane exploration costs	**5.5**	5.5
Other	**8.8**	10.0
	$ 295.5	$ 319.5

NOTE 11. COMMON SHARES

AUTHORIZED:

Unlimited number of non-par value Common Shares.

ISSUED AND OUTSTANDING:

millions of dollars	Millions of Shares	Common Share Capital
January 1, 1999		
Issued in exchange for all issued and outstanding common shares of NSPI under the reorganization described in note 3	86.80	$ 672.5
Issued for cash under purchase plans	0.25	4.0
December 31, 1999	87.05	676.5
Issued for cash under purchase plans	0.25	3.7
Options exercised under Executive Stock Option Plan	0.05	0.6
December 31, 2000	**87.35**	**$ 680.8**

The weighted average number of common shares outstanding during the year was 87.2 million (1999 – 86.9 million).

DIVIDEND REINVESTMENT AND EMPLOYEE COMMON SHARE PURCHASE PLANS

The company has a Common Shareholder Dividend Reinvestment Plan and an Employee Common Share Purchase Plan, which provide an opportunity for shareholders and company employees to reinvest dividends and make cash contributions for the purpose of purchasing common shares.

STOCK-BASED COMPENSATION PLAN

The company has a stock option plan which grants options to Executive Officers of Emera for a maximum term of ten years. The option price for these shares is the market price of the shares on the day the option is granted.

All options granted to date are exercisable on a graduated basis with up to 25 percent of options exercisable on the first anniversary date and in further 25 percent increments on each of the second, third and fourth anniversaries of the grant. If an option is not exercised within ten years, it expires and the optionee loses all rights thereunder. If the holder leaves the employment of Emera Inc. the options become exercisable immediately, with the holder having up to two years to exercise the options. The holder of the option has no rights as a shareholder until the option is exercised and shares have been issued. The maximum number of such shares optioned to any one Executive Officer cannot exceed one percent of the issued and outstanding common shares on the date the option is granted.

	2000		1999	
	Shares under option	Weighted-average exercise price	Shares under option	Weighted-average exercise price
Outstanding at beginning of year	**431,250**	**$ 15.66**	308,750	$ 15.13
Granted	**237,000**	**$ 13.98**	122,500	$ 17.00
Exercised	**48,250**	**$ 13.27**	–	–
Outstanding at end of year	**620,000**	**$ 15.21**	431,250	$ 15.66
Exercisable at end of year	**296,875**	**$ 15.21**	228,750	$ 14.46

NOTE 12. NON-CONTROLLING INTEREST

The minority interest represents preferred shares that are held in Nova Scotia Power Inc.

AUTHORIZED:

Unlimited number of First Preferred Shares, issuable in series.

Unlimited number of Second Preferred Shares, issuable in series.

ISSUED AND OUTSTANDING:

millions of dollars	Millions of Shares	Preferred Share Capital
December 31, 1998	8.0	$ 200.0
Issued Series B First Preferred Shares	5.0	31.3
December 31, 1999	13.0	$ 231.3
Redeemed Series A First Preferred Shares	(8.0)	(200.0)
Converted Series B First Preferred Shares	(4.4)	–
Issued Series C First Preferred Shares	4.4	82.8
Issued Series D First Preferred Shares	5.4	135.0
December 31, 2000	10.4	$ 249.1

SERIES A PREFERRED SHARES

The Series A preferred shares were redeemed for cash of $25 per share on October 1, 2000.

SERIES B PREFERRED SHARES AND SERIES C PURCHASE WARRANTS

On March 8, 1999, NSPI issued 5,000,000 First Preferred Share Units with each unit consisting of one non-detachable cumulative, redeemable First Preferred Share, Series B and a Warrant to purchase one cumulative, redeemable First Preferred Share, Series C at a price of $6.25 per Unit. On October 1, 2000, unit holders exercised 4,417,116 Series C purchase warrants and Series B preferred shares, and converted them to Series C First Preferred Shares. After October 1, 2000, the series B shares became entitled to a $0.04 per share per annum fixed cumulative, preferential cash dividend as and when declared by the Board of Directors. The remaining Series B unit holders will have two more opportunities to convert their units with a cash payment of $18.75 on January 1, 2001 and April 1, 2001, to one cumulative, redeemable First Preferred Share, Series C of NSPI. The remaining purchase warrants for Series C shares are expected to be exercised in the first quarter of 2001, raising an additional $10.9 million.

SERIES C PREFERRED SHARES

Each Preferred Share Series C is entitled to a $1.225 per share per annum fixed cumulative preferential dividend, as and when declared by the Board of Directors, which will accrue from the date of issue and be payable quarterly on the first day of January, April, July and September of each year. On or after April 1, 2009, NSPI may redeem for cash the Preferred Share Series C, in whole at any time or in part from time to time at $25.00 per share plus accrued and unpaid dividends.

SERIES D PREFERRED SHARES

On October 31, 2000, NSPI issued 5,400,000 First Preferred Shares for a price of $25 per share. Each share is entitled to a fixed cumulative cash dividend of $1.475 per share per annum, as and when declared by the Board of Directors. These dividends will accrue from the date of issue and will be payable quarterly on the fifteenth day of January, April, July, and October of each year. On or after October 15, 2015, NSPI may redeem for cash the Preferred Share Series D, in whole at any time, at $25 per share plus accrued and unpaid dividends.

NOTE 13. LONG-TERM DEBT

Long-term debt is composed of debentures and notes payable. All long-term debt instruments are issued under trust indentures at fixed interest rates, and are unsecured.

Long-term debt is summarized by year of maturity in the following table:

millions of dollars		2000		1999
Year of Maturity	**Principal Outstanding**	**Weighted-Average Coupon Rate**	Principal Outstanding	Weighted-Average Coupon Rate
		%		%
2000	**–**	**–**	$ 8.1	5.91
2001	**$ 120.5**	**7.28**	120.5	7.28
2002	**120.0**	**7.88**	120.0	7.88
2003	**150.0**	**7.70**	150.0	7.70
2004	**65.0**	**7.30**	50.0	7.30
2005	**100.0**	**8.38**	–	–
Greater than 5 years	**720.0**	**7.48**	820.0	7.60
	$ 1,275.5	**7.59**	$ 1,268.6	7.58

NOTE 14. SHORT-TERM DEBT

Short-term debt consists of commercial paper, bankers' acceptances and LIBOR loans issued against lines of credit. Commercial paper, bankers' acceptances and LIBOR loans bear interest at prevailing market rates which, on December 31, 2000, averaged 5.82%, 6.31% and 7.18% respectively (1999 – 5.15%, 5.55% and 6.63%). The operating line of credit is due on demand and bears interest at prime which, on December 31, 2000, was 7.50% (1999 – 6.50%).

NOTE 15. FINANCIAL INSTRUMENTS

	Carrying Amount		Fair Value	
millions of dollars	**2000**	1999	**2000**	1999
Long-term debt	**$ 1,275.5**	$ 1,268.8	**$ 1,350.0**	$ 1,326.8
Short-term debt	**281.7**	320.2	**277.5**	318.4
Hedging instruments	**0.5**	0.9	**32.6**	(9.8)

LONG-TERM DEBT AND SHORT-TERM DEBT

The fair value of Emera's long-term and short-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to Emera, for debt of the same remaining maturities.

HEDGING INSTRUMENTS

The fair value of hedging instruments is estimated by obtaining prevailing market rates from investment dealers.

The company enters into interest rate hedging contracts to convert the interest characteristics of outstanding short-term debt from a floating to a fixed rate basis. Interest rate swap contracts converting floating interest on $165.0 million (1999 – $113.7 million) to a weighted average fixed interest rate of 6.07% (1999 – 5.32%) were outstanding at December 31, 2000. At December 31, 2000 the company held interest rate swap contracts with a fair value of ($1.4) million (1999 – $1.3 million).

Interest rate Caps and Collars are used to insure against extreme movements in interest rates on floating debt. Interest rate Cap and Collar contracts covering $195.0 million (1999 – $200.0 million) at a weighted average fixed interest rate of 7.01% (1999 – 6.51%) were outstanding at December 31, 2000. At December 31, 2000 the company held interest rate cap and collar contracts with a fair value of $0.3 million (1999 – $0.1 million).

The company entered into natural gas swap contracts in 2000 to limit exposure to fluctuations in natural gas prices. As at December 31, 2000, the company had entered into swap contracts to hedge substantially all natural gas purchases and sales for 2001. At December 31, 2000, the fair value of these swap contracts was ($31.7) million (1999 – $nil).

The company enters into oil swap and option contracts to limit exposure to fluctuations in world prices of heavy fuel oil. As at December 31, 2000, the company had entered into oil swap contracts that fix 1.1 million barrels of oil at an average price of U.S. $21 per barrel. At December 31, 2000 the company held oil swap contracts with a fair value of ($3.4) million (1999 – $10.3 million).

Oil, natural gas, and part of the company's coal requirements are priced in U.S. dollars. Emera enters into foreign exchange forward and option contracts to limit exposure to currency rate fluctuations. Currency forwards are used to fix the Canadian dollar cost to acquire U.S. dollars, eliminating exposure to currency rate fluctuations. Forward contracts to buy U.S. $50.7 million at an average rate of CAD $1.4512 were outstanding for 2001 and U.S. $10.5 million at an average rate of $1.4460 were outstanding for 2002, at December 31, 2000. At December 31, 2000 the company held currency contracts with a fair value of $3.2 million (1999 – ($2.5) million).

The company enters into weather temperature contracts that limit its exposure to revenue losses from abnormally warm weather during the winter heating season. At December 31, 2000, the company limited its exposure to a significant portion of the space heating losses for the first and fourth quarters of 2001. At December 31, 2000 the company held weather risk management contracts with a fair value of $0.4 million (1999 – $0.6 million).

NOTE 16. COMMITMENTS

Emera had the following significant commitments at December 31, 2000:

- A requirement to purchase the coal output of the Cape Breton Development Corporation's (CBDC) Prince Mine, which is not expected to exceed 1.1 million tonnes of coal. Purchases from CBDC may be reduced to the extent that the company purchases coal from alternative sources in the event of production problems at CBDC, as was the case in 2000.
- Annual requirement to purchase approximately $15 million of electricity from independent power producers for each of the next five years.
- Emera is responsible for managing a portfolio of approximately $1.3 billion of defeasance securities held in trust. The defeasance securities must provide the principal and interest streams of the related defeased debt. Approximately 68%, or $0.9 billion, of the defeasance portfolio consists of investments in the related debt, eliminating all risk associated with this portion of the portfolio.
- The company has committed to purchase all of the outstanding common shares of Bangor Hydro-Electric Company for cash consideration of $305 million. Approval for the sale has been received from the shareholders of Bangor Hydro-Electric Company and from certain regulatory bodies. The remaining regulatory approvals are expected in the first half of 2001.

NOTE 17. SUBSEQUENT EVENT

On February 6, 2001, Emera offered to purchase 8.4% of the Sable Offshore Energy Project (SOEP) infrastructure assets for cash consideration of $90.0 million. The offer is subject to certain rights of first refusal, and other approvals. The SOEP infrastructure assets comprise a gas processing plant at Goldboro, Nova Scotia; a natural gas liquids fractionation plant at Point Tupper, Nova Scotia; a natural gas liquids line connecting the Goldboro and Point Tupper operations; offshore production platforms; and sub-sea gathering pipelines.

NOTE 18. COMPARATIVE INFORMATION

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for 2000.

OPERATING STATISTICS

FIVE-YEAR SUMMARY

Years Ended December 31	**2000**	1999	1998	1997	1996
Electric energy sales (GWh)					
Residential	**3,632.1**	3,494.6	3,377.9	3,498.9	3,471.9
Commercial	**2,661.9**	2,582.8	2,485.9	2,506.7	2,505.7
Industrial	**3,917.2**	3,834.8	3,423.7	2,842.6	2,754.1
Other	**445.0**	453.2	484.4	667.7	413.9
Total electric energy sales	**10,656.2**	10,365.4	9,771.9	9,515.9	9,145.6
Sources of energy (GWh)					
Thermal – coal	**8,863.7**	7,816.0	7,015.0	8,246.5	7,850.3
– oil	**1,347.8**	1,870.9	2,358.3	781.4	608.7
– natural gas	**43.8**				
Hydro	**881.2**	980.7	890.9	934.9	1,111.6
Purchases	**295.2**	411.3	242.0	340.2	254.6
Total generation and purchases	**11,431.7**	11,078.9	10,506.2	10,303.0	9,825.2
Losses and internal use	**775.5**	713.5	734.3	787.1	679.6
Total electric energy sold	**10,656.2**	10,365.4	9,771.9	9,515.9	9,145.6
Electric customers					
Residential	**400,653**	397,406	394,012	388,386	384,856
Commercial	**32,186**	31,753	31,942	31,727	32,329
Industrial	**2,194**	2,118	2,096	1,998	1,686
Other	**7,073**	6,760	6,343	5,917	5,908
Total electric customers	**442,016**	438,037	434,393	428,028	424,779
Capacity					
Generating nameplate capacity (MW)					
Coal Fired	**1,272**	1,272	1,272	1,272	1,272
Dual Fired	**250**	–	–	–	–
Heavy Fuel Oil-Fired	**100**	350	350	350	350
Gas Turbine	**180**	180	180	180	180
Hydroelectric	**381**	381	381	381	381
Independent power producers	**25**	25	25	25	25
	2,208	2,208	2,208	2,208	2,208
Number of employees	**1,785**	1,588	1,634	1,742	1,907
km of transmission lines (69 kV and over)	**5,250**	5,250	5,250	5,236	5,213
km of distribution lines (25 kV and under)	**24,000**	24,000	23,711	23,155	23,238

CONSOLIDATED FINANCIAL INFORMATION

FIVE-YEAR SUMMARY

Years Ended December 31 (millions of dollars)	2000	1999	1998	1997	1996
Statement of Earnings Information					
Revenue	$ 896.5	$ 816.6	$ 773.1	$ 748.7	$ 741.2
Cost of operations					
Fuel for generation and power purchased	273.9	267.5	257.3	246.4	238.7
Cost of fuel oil sold	67.7	15.3	14.0	–	–
Operating, maintenance and general	168.0	155.5	142.5	138.6	157.7
Grants in lieu of property taxes	11.0	8.9	5.5	5.3	5.2
Provincial capital tax	7.2	7.1	6.7	5.2	–
Depreciation	98.3	94.8	91.3	87.8	85.0
	626.1	549.1	517.3	483.3	486.6
Earnings from operations	270.4	267.5	255.8	265.4	254.6
Amortization	(19.0)	(23.1)	(16.7)	(12.8)	5.1
Allowance for funds used during construction	4.8	4.8	3.8	4.0	4.2
Equity earnings in Maritimes & Northeast Pipeline	6.0	5.3	–	–	–
Earnings before interest and income taxes	262.2	254.5	242.9	256.6	263.9
Interest	135.4	136.5	132.7	140.2	148.9
Earnings before income taxes	126.8	118.0	110.2	116.4	115.0
Income tax	12.5	6.3	13.6	14.2	11.4
Net earnings before non-controlling interest	114.3	111.7	96.6	102.2	103.6
Non-controlling interest	9.9	11.3	11.2	9.5	13.6
Net earnings applicable to common shares	104.4	100.4	85.4	92.7	90.0
Common dividends	73.2	72.2	71.1	69.9	68.7
Earnings retained for use in company	$ 31.2	$ 28.2	$ 14.3	$ 22.8	$ 21.3
Cost of fuel for generation – coal	$ 186.3	$ 184.3	$ 164.8	$ 189.2	$ 198.9
– oil	60.5	58.2	76.2	35.7	22.6
– natural gas	5.9				
Power purchased	21.2	25.0	16.3	21.5	17.2
Total cost of fuel for generation and power purchased	$ 273.9	$ 267.5	$ 257.3	$ 246.4	$ 238.7
Balance Sheet Information					
Property, plant and equipment	$ 2,374.2	$ 2,362.8	$ 2,333.9	$ 2,293.1	$ 2,280.6
Matching notes receivable	–	–	–	–	46.1
Other assets	313.2	335.2	361.4	430.4	435.4
Investment in Maritimes & Northeast Pipeline	67.0	54.7	30.5	–	–
Current assets	196.6	149.2	108.3	157.7	302.6
Total assets	$ 2,951.0	$ 2,901.9	$ 2,834.1	$ 2,881.2	$ 3,064.7
Common shares	$ 680.8	$ 676.5	$ 672.5	$ 667.6	$ 661.3
Retained earnings	296.8	265.8	238.7	224.4	201.6
Non-controlling interest	249.1	231.3	200.0	200.0	200.0
Long-term debt	1,155.0	1,260.5	1,083.7	1,107.5	1,258.1
Other liabilities	2.1	2.7	2.2	26.9	13.4
Current liabilities	567.2	465.1	637.0	654.8	730.3
Total equity and liabilities	$ 2,951.0	$ 2,901.9	$ 2,834.1	$ 2,881.2	$ 3,064.7
Capital expenditures	$ 126.5	$ 144.0	$ 162.6	$ 100.3	$ 88.5
Statement of Cash flow Information					
Operating cash flow	$ 233.4	$ 226.5	$ 219.2	$ 204.0	$ 195.8
Free cash flow*	23.9	18.2	24.9	38.8	22.5
Financial ratios ($ per share)					
Earnings per share	$ 1.20	$ 1.16	$ 0.99	$ 1.07	$ 1.05
Operating cash flow per share	2.68	2.60	2.53	2.36	2.27

* Free cash flow is cash provided by operating activities net of amounts required for capital investments and dividends.

Statement of Corporate Governance Practices

Emera's framework for corporate governance enables the Board of Directors to effectively contribute to the management of the Company.

BOARD MANDATE

The Board of Directors is responsible for management of the business and affairs of the Company. The Board has established three committees which assist it in fulfilling its responsibilities. The Board appoints the Company's management and delegates authority and responsibility to management for all aspects of Emera's business and affairs. Management is expected to achieve objectives established by the Board and its performance is evaluated against such objectives.

Management's discussion and analysis of the Company's operating performance for 2000 is included in this Annual Report.

BOARD COMPOSITION

The Company's by-laws provide that the size of the Board be no less than 10 members and no more than 15 members. To assure the independence of the Board of Directors, the Company's by-laws also provide that no more than two Directors may be employees of the Company or of a subsidiary or affiliate of the Company. The Chair of the Board and the Chief Executive Officer must be separate individuals. Each Board Committee is made up of Directors who are not employees of the Company or its subsidiaries or affiliates.

The Board is satisfied this number of Directors results in effective decision-making by the Board. One Director, Mr. David McD. Mann, is the President and Chief Executive Officer and is an employee of the Company. The Board believes that all of the other current Directors are unrelated Directors. Each of those Directors is independent of management, none has any interest, business or other relationship that could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the Company. None of the Directors receive remuneration from the Company other than Directors' retainers, fees or retainers for service as Chair of the Board or Chair of a Committee.

The Board has adopted a number of operating procedures to address issues associated with Directors' performance, Board composition, and conflict of interest. These procedures are intended to enhance the ability of Directors to carry out their duties and to ensure an orderly rotation of Board members without impairing Board operations.

No person may hold the position of Chair of the Board for three consecutive years without a review by the Board.

The Company's voting shares are widely held and there are legislative provisions which prohibit an individual shareholder from holding more than 15 percent of the voting shares of the Company. There is currently no shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors.

BOARD COMMUNICATION

A regular flow of information from management to the Board of Directors ensures that the Board has sufficient and timely information concerning the Company's affairs. This information is used by the Board to assess both the direction of the Company's business and the performance of management. The Board of Directors receives a briefing package from management in advance of all meetings. The Directors also receive regular communications between meetings which include information respecting any new developments which might affect Emera's business and that of its subsidiaries, in addition to specific information provided to individual Directors to allow them to fulfil their duties as members of a Board committee.

The Directors are kept informed of Company operations at the meetings of the Board and its committees and through reports from and discussions with management. Board and committee meetings are held on a regularly scheduled basis and communications between the Directors and management occur apart from regularly scheduled Board and committee meetings in the form of oral and written briefings or specially-called meetings. Management reports on Company operations and results at such meetings and responds to questions from the Directors.

During 2000, the Board and its Committees met on 27 occasions.

An orientation and education program is provided to all new members of the Board. New members of the Board are given briefings on the Company, its strategic plan, and past history of Board operations.

The Board and its Committees, at their option, regularly meet independently of management to discuss various issues. While there is no specific provision in the by-laws, the Directors, as a full Board, have, as a practice, engaged outside advisors in appropriate circumstances.

BOARD FUNCTIONS

The Board makes all major decisions for the Company, including those set out below. The Directors actively participate in the strategic planning of the Company and dedicate a number of sessions throughout the year to deal with strategic planning issues. Many Board functions are carried out by the three Committees of the Board. The Board and its Committees are responsible for these main functions:

- adopting a strategic planning process for the Company, its subsidiaries and affiliates and overseeing its implementation;
- identifying principal risks in the business and implementing systems to manage these risks;
- ensuring business risks are properly identified and managed, and approving decisions involving significant risks to the Company;
- monitoring the effectiveness of the Company's corporate governance practices and approving any necessary changes;
- succession planning for the President and Chief Executive Officer and for the senior management and monitoring, appointing and training senior management;
- setting performance objectives and monitoring results;
- overseeing communications with shareholders and other stakeholders, including reviewing the quarterly financial statements, and approving the annual financial statements, annual report and annual information form;
- approving the financial statements and the Management Discussion and Analysis in the Annual Report;
- ensuring proper financial reporting and financial control systems are in place including proper inspection, control and audit systems;
- approving the issue of securities;
- the integrity of internal control and management information systems;
- approving operating and capital budgets and specific requests for major capital expenditures;
- developing position descriptions for the Board and for the Executive Officers of the Company, including the corporate objectives for the President and Chief Executive Officer;
- reviewing and approving compensation for Directors and Executive Officers and compensation policies for the Company including incentive plans which are intended to enhance Company performance; and
- establishing general corporate policies.

SHAREHOLDER FEEDBACK

Emera provides information to, and responds to, inquiries from shareholders. Through toll-free lines shareholders, customers and others receive information from the Company and may also contact the Company. Shareholders may contact the Company at the Office of the Corporate Secretary and General Counsel or through its Investor Services group. Shareholder inquiries or suggestions that are addressed to the Board, a specific department or person, are forwarded to the intended recipient.

BOARD COMMITTEES

Emera's Board of Directors has three Committees to assist it in carrying out its duties. The Company's by-laws provide that the three Committees must consist of Directors who are not employees of the Company or its subsidiaries or affiliates. Board Committees are appointed annually and the composition and chair of all Committees is reviewed at least every three years. In addition to the three existing Committees, the Board will constitute an Environment and Safety Committee in 2001.

The by-laws of the Company state that the Board of Directors may establish an Executive Committee of the Board of Directors which may include members of management. The Directors have determined, however, that because of the relatively small size of the Board, it is not appropriate to constitute such a Committee at this time. This helps to ensure that all Directors are equally and fully briefed on issues relating to the Company's business and affairs.

AUDIT COMMITTEE

The Audit Committee must consist of at least three Directors. This Committee is responsible for ensuring that appropriate internal control procedures are in place relating to the internal and external audit of the Company's consolidated accounts. The Audit Committee reviews investment issues and policies. It also reviews and recommends to the Board of Directors for approval, documents such as the Annual Report, the Annual Information Form, the Management Discussion and Analysis, the audited financial statements and the unaudited interim reports to shareholders. The Audit Committee meets at least quarterly with the internal and external auditors and management and at each quarterly meeting, meets independently with each of these parties to the exclusion of the others.

This Committee also receives reports on and reviews the financial performance of Company pension plans, including pension fund and fund manager performance, and reviews investment guidelines for the pension plans.

This Committee currently consists of the following Directors and reports to the Board on all of its activities.

Mr. George A. Caines, Committee Chair
Mr. M. Edward MacNeil
Mr. Kenneth C. Rowe

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The Management Resources and Compensation Committee (the "MRC Committee") reviews compensation policies, benefits and other matters relating to senior management and monitors succession planning. It reviews the annual incentive plan for all Executive Officers, makes recommendations to the Board of Directors in respect of these matters and evaluates the performance of the President and Chief Executive Officer and senior management.

The MRC Committee consists of three Directors and is required to meet at least annually. The MRC Committee reports to the Board on all of its activities.

The MRC Committee currently consists of the following Directors:

Mr. Purdy Crawford, Committee Chair
Mrs. R. Irene d'Entremont
Dr. Elizabeth Parr-Johnston

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee consists of three Directors. It is responsible for developing and communicating the Company's approach to corporate governance issues. It also identifies nominees for election as Directors and ensures that such nominees are, in the reasonable opinion of the Committee, individuals who have the ability to contribute and devote the necessary time to the Board of Directors.

The effectiveness of the Board, individual Directors, and the Committees is assessed by the Nominating and Corporate Governance Committee which solicits and reviews Directors' comments and may propose modifications to improve the Board functions, Committee functions, composition, and the Company's corporate governance processes.

As part of the governance process, the Chair of the Board will annually meet with each Director on an individual basis to receive direct feedback from that Director on issues such as Board performance, effectiveness of the operation of the Board and its Committees.

The governance process at the Company requires that each Director annually provide a list of his or her business and other affiliations for the purpose of identifying any potential circumstances which may result in a conflict of interest. Directors are required to declare any interest which they may have in a matter requiring Board approval and abstain from participation in discussions or voting on the particular matter.

The Directors have also instituted a policy which requires them to submit their resignation as a Director if there is a significant change in their principal occupation. The resignation is then reviewed by the Board or the Nominating and Corporate Governance Committee to determine whether the circumstances are such that the resignation be accepted. This practice serves several purposes including ensuring that the change of principal occupation does not result in a conflict-of-interest situation for the Director and ensuring that the Director is able to maintain the skill, knowledge in business, or other background which resulted in that person becoming a member of the Board.

The Nominating and Corporate Governance Committee currently consists of the following Directors and reports to the Board on all of its activities:

Mr. Paul D. Sobey, Committee Chair
Mr. James K. Gray
Ms. Rosemary Scanlon

CORPORATE GOVERNANCE COMPLIANCE

Corporate governance is the process and structure used to direct and manage the business and affairs of the Company with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board of Directors and management. The direction and management of Emera's business also takes into account the impact on other stakeholders such as employees, customers, suppliers and communities.

The Company's corporate governance practices comply with the guidelines for corporate governance of The Toronto Stock Exchange.

Executives and Directors

EXECUTIVES

David McD. Mann, *President and Chief Executive Officer*; Ronald E. Smith, *Senior Vice President and Chief Financial Officer*; Chris Huskilson, *Chief Operating Officer*; Wayne Crawley, *Vice President, Corporate Development;* Liz MacDonald, *Vice President, Human Resources;* Wayne Rousch, *Senior Vice President, Business Development;* Phil Sidebottom, *Vice President, Power Development;* Rick Smith, *Corporate Secretary and General Counsel*

BOARD OF DIRECTORS

Derek Oland
(Chairman of the Board)
Chairman and Chief Executive Officer
Moosehead Breweries Limited
New River Beach, New Brunswick

David McD. Mann, Q.C.
President and Chief Executive Officer
Emera Incorporated and
Nova Scotia Power Incorporated
Halifax, Nova Scotia

George A. Caines, Q.C.
Nova Scotia Managing Partner
Stewart McKelvey Stirling Scales
Halifax, Nova Scotia

Purdy Crawford, Q.C.
Counsel, Osler, Hoskin & Harcourt
Chair, AT&T Canada Corp.
Toronto, Ontario

R. Irene d'Entremont
President
M.I.T. Electronics Inc.
Yarmouth, Nova Scotia

James K. Gray, O.C.
Chairman
Canadian Hunter Exploration Ltd.
Calgary, Alberta

M. Edward MacNeil
Company Director
Sydney, Nova Scotia

Dr. Elizabeth Parr-Johnston
President and Vice-Chancellor
University of New Brunswick
Fredericton, New Brunswick

Kenneth C. Rowe
Executive Officer
IMP Group International Inc.
Halifax, Nova Scotia

Rosemary Scanlon
Economic Consultant
New York City, New York

Paul D. Sobey
President and Chief Executive Officer
Empire Company Limited
New Glasgow, Nova Scotia

COMMITTEES

AUDIT COMMITTEE

George A. Caines (Chair)
M. Edward MacNeil
Kenneth C. Rowe

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

Purdy Crawford (Chair)
R. Irene d'Entremont
Dr. Elizabeth Parr-Johnston

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Paul D. Sobey (Chair)
James K. Gray
Rosemary Scanlon

CREDITS
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Dividend Payments in 2001
Subject to approval by the Board of Directors, common share dividends for Emera Inc. are payable on or about the 15th of February, May, August and November. A first quarter dividend of $0.2125 has been declared payable February 15th, 2001.

A quarterly dividend of $0.01 is payable on the first day of January, April, July and October for Nova Scotia Power Inc.'s Series B Preferred Shares.

A quarterly dividend of $0.30625 is payable on the first day of January, April, July and October for Nova Scotia Power Inc.'s Series C First Preferred Shares.

A quarterly dividend of $0.36875 is payable on the 15th of January, April, July and October for Nova Scotia Power Inc.'s Series D First Preferred Shares.

Dividend Reinvestment and Share Purchase Plan
Emera Inc.'s Dividend Reinvestment and Share Purchase Plan is available to shareholders resident in Canada.

The Plan provides shareholders with a convenient and economical means of acquiring additional common shares through the reinvestment of dividends. Plan participants may also contribute cash payments of up to $5,000 per quarter. Participants in the Plan pay no commissions, service charges or brokerage fees for shares purchased under the Plan.

Please contact Investor Services if you have questions or wish to receive a copy of the Plan brochure and enrollment form.

Direct Deposit Service
Shareholders may have dividends deposited directly into accounts held at financial institutions which are members of the Canadian Payments Association. To arrange this service, please contact Investor Services.

Earnings Reporting
Quarterly earnings are expected to be announced on May 3rd, August 9th and November 9th, 2001. Year end results for 2001 will be released in February 2002.

Annual General Meeting
Thursday, May 3, 2001; 11:00 A.M.; World Trade and Convention Centre, Halifax, Nova Scotia.

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Director, Investor Relations
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Share Listings
Toronto Stock Exchange (TSE)
Common Shares: EMA
Preferred Shares: NSI.UN, NSI.PR.C, NSI.PR.D

Shares Outstanding (as at December 31, 2000)
Common shares: 87.3 million

Dividends Paid in 2000
$0.84 per common share

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Emera

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